D 8523 A

### World News Mitterrand names new minority government

Government yesterday, to be beaded by Prime Minister Michel Rocard and including several independents. The cahinet body who is developing an information-handling eystem probably needs to use an IBM patent." The etatement thet resigned two weeks ago. The announcement follows last month's inconclusive elections, in which tha Socialists failed to win a parliamentary majority.

CTTICORP, biggest US commercial banking gronp, has epproached First RepublicBank ebout a possible acquisition of

Suit against Teamsters The US Government filed a suit holding company, which has against the Teamsters Union, alleging that Mafia infiltration had deprived union members of their rights. Page 20 their rights. Page 20

US nuclear power alert An incident at an Illinois nuclear power plant that could have led to a meltdown has prompted a nationwide safety alert for cer-tain reactors, the US Nnclear Regulatory Commission said.

### **Hungarians** expelled

The Romanian government ordered the immediate closure of a Hungarian consulate and expelled the consular staff, the Hungarian state news agency MTI reported.

Namibia border clashes Eleven South African soldiers

and 200 Cuban and Angolan sol- US and Chinese crops. Prices diers died in the first major opened with sharp gains and the clashes with Cuban forces close London daily price for raw sugar to the border with Pretoria-ruled was fixed in the morning at \$328 Namibia, South African defence a tonne, up \$39. Page 30

### French death toll 59

rail crash in Paris rose to 59. as it closed 15.4 points higher at More than 40 others were injured 1,856.9. Page 38 in France's worst rail accident TOKYO: Uncertain market out-

Iraq, seized by Iran in March. It alleged chemical weapons were used in the offensive. Iranian 22.41 at 2,130.87. Page 42

### Palestinians wounded

Israeli soldiers shot and wounded Israeli soldiers shot and wounded DM1.8090 (DM1.8185), Y130.90 two Palestinian youths in Nablus (Y130.85), SFr1.4960 (SFr1.5055), as a general strike, called to compressed the 21st appropriate of FFr6.0925 (FFr6.1375). Page 31 memorate the 21st anniversary of

### SA township clashes

Two people were killed in Slang-spruit township, near the Natal don Stock Exchange market provincial capital of Pietermaritz-maker, launched an automatic burg. 600 blacks have died in fac-tion fighting in the area since the said represents direct competiend of last year. EC Sharpeville tion for the Stock Exchange's appeal, Page 2

### Polish ports accord

ports should have full access to reorganisation. Page 24 the sea. Extension of East German territorial waters in November 1985 had given it control of a York investment bank, is to buy waterway from the Baltic to the 20 per cent of DFC New Zealand twin ports of Szczecin and Swin-

Fiji budget revised

Budget revisions presented hy Fiji's finance minister envisage the easing of wage and rent freezes. Strict exchange controls imposed after the May 14 corrections. imposed after the May 14 coup remain in force.

### Pope piot 'a hoax'

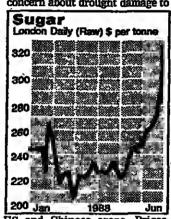
against Pope John Paul was a hoax. Two Turks arrested in

### **Business Summary**

### IBM tries to broaden patent protection

ebout a possible acquisition of the insolvent Dallas-based bank

the first time in six years over concern about drought damage to



LONDON: The half-point rise in bese rates was welcomed hy investors. An initial 13 point fall The death toll in Monday night's in the FT-SE 100 index vanished

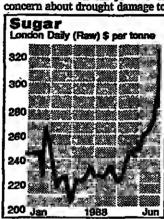
DOLLAR closed in New York at DM1.8220, Y132.65, SFr1.5065, FFr6.1390. It closed in London at

(FFr10.4525), Page 31

Polish ports accord are to be combined in a single East Germany agreed that Polish company as a further step to

SALOMON BROTHERS, New

President Francoie Mitterrand INTERNATIONAL Business named a new Socialist minority Machines, world's largest com-Government yesterday, to be puter company, in a move to



for a decade.

Iraqi attack repelled

Iran said its forces defeated an Iraqi attempt to recapture positions on miountains In northeast 27,398.09: Page 42

memorate the 21st anniversary of the annexation of east Jerusalem, STERLING closed in New York at virtually closed the Arab part of \$1.7090. It closed in London at the city and the occupied West \$1.7190 (\$1.7030), DM3.1100 (DM3.0975), Y225.00 (Y222.75), SFr2.5725 (SFr2.57250), FFr10.4725

system. Page 21

SAUDI ARABIA'S oil refineries

Unit Trust Information Service pages from today's issue to pro-vide a range of additional infor-A suspected assassination plot mation on anthorised unit trusts. gressive realisation of econographs of Pope John Paul was a In addition to the cancellation and monetary union."

A suspected assasshation not against Pope John Paul was a hoax. Two Turks arrested in Vienna, shortly before the Pope arrived for a five-day visit to Austria, face charges of feigning a punishable offence.

Shuttle launch delayed

The launch of the US space shuttle Discovery has been delayed until early September. The lauocb, orlginally due for August, will be the first since the Challenger disaster in January 1986.

In addition to the cancellation prices which unit trusts are obliged to publish from July 1 under the Financial Services Act, the tables will show, where available, initial charges daily. We will also show the time when published prices were set and whether dealings were on a historic or forward basis.

The full information will because the charges of feigning a punishable offence.

Shuttle launch delayed

The launch of the US space shuttle Discovery has been delayed until early September. The lauocb, orlginally due for August, will be the first since the Challenger disaster in January 1986.

# Gorbachev calls for most radical policy changes in 50 years

overhaul of the entire legal system. His proposals would amount to the most radical changes to the Soviet state to be planned in tions, over the future powers of to the most radical changes to the Soviet state to be planned in

decentralisation of decision-mak- ence, the first to be held for 47 ing from Moscow and for multi-years, will try to limit the poten-candidate elections to promote tial damage to their power and

The president, who may or Moreover, it was unclear may not be the same person as whether the proposed executive the Communist Party General president would rank above the Secretary, is intended to have party leader, below him, or wide powers, including those of whether the two jobs would anto-proposing a prime minister and demorated.

delegates at an extraordinary cracy, and a rigid "command party conference. "We have no style of administration" inherited right to permit perestroika to from the Stalin era.

founder on the rocks of dogma

The principle of democratic tism and conservatism, on any centralism which underlies the

MR MIKHAIL GORBACHEV, the solvest leader, yesterday challenged his Communist Party to hand over sweeping powers to elected bodies, to create a new parliament and an executive criticised the "gross violations" of decreases. president and to embark on an of democracy committed by the

more than 50 years.

Mr Gorbachev called for a separation of the functions of the functions of the all-powerful ruling party and the state, for a revival of the authority of the elected Soviets, for the states are all-powerful ruling party and the state, for a revival of the authority of the elected Soviets, for the gates summoned to the conference of decorate light of the first the first terms.

overseeing foreign and domestic . The Soviet leader said that the policy. policy.

"What is at stake is the counscient reform programme was try's future, the future of social being threatened by the dead ism," Mr Gorbachev told 5,000 weight of party and state bureau-

"Many of those who remained in leading posts for years got a false idea of being infallible and irreplaceable," he said. "They lost contact with the party masses and working people which often ended, as we know, in their political and moral degra-dation. It is here that we find the causes behind the shameful facts of power abuse and moral degra-dation exposed in the course of perestroika."

**'WHAT IS AT STAKE IS THE COUNTRY'S FUTURE, THE FUTURE OF SOCIALISM'** 

His main proposals would seek to revive the power of the Soviets, alected bodies at the national, republic, region, city and district level, to handle all legislation. At the same time, the nexts would draw itself any selfparty would deny itself any role in executive functions, cease to issue orders to state bodies and enterprises, and return to the Leninist tradition of acting as a "political vanguard."

At national level, he would create a congress of people's depu-ties, with 2,250 members, above ties, with 2,250 members, above the existing Supreme Soviet. The latter would become a stream-lined body of 400-450 members, with the lob of regular monitor-ing all state legislation in its two chambers. At present it merely holds two rubber-stamp sessions

a year. The executive president, with one's prejudices and personal structure and activity of the substantial powers to propose a ambitions, There can be no question of compromise."

At the same time, he spelt out bureancratic centralism," he spelt out bureancratic centralism, but the same time, b ambitions, there can be no quession of compromise."

At the same time, he spelt out bureancratic centralism," he his determination to press ahead with further drastic economic metorms, including an overhand of the pricing system, with the like-lihood of sharp increases in the prices of essential foodstuffs, tion" under Leonid Brezhnev,

Soviet Communitst party prime minister, exercise overall guidance in drafting legislation and major socio-economic programmes, decide the key issues of foreign policy, defence and national security, and chair the Soviet defence council, would be elected by the new congress in a secret hallot.



### GORBACHEV'S CHIEF DEMANDS

POLITICS: wide handover of powers from party to elected bodies; executive president to be elected by national congress, chosen in multi-candidate elections by secret ballot;

• ECONOMY: reform of prices through abolition of state subsidies on key goods; improved supply of food and consumer prod-

• LEGAL SYSTEM: reform of courts and better training for lawyers and militia;

 HUMAN RIGHTS: freedom of conscience; legal right to privacy; NATIONALITIES: rejection of demands for boundary changes.
 FOREIGN POLICY: priority for economic links with socialist neighbours; moves toward single socialist market.

# A democratic vision under the eyes of Lenin

BY CHARLES HODGSON IN MOSCOW

THE RUTHLESSLY functional determined. Congresses erected amid the graceful spires and onion domes of the Kremlin the 1950s has a capacity crowd for the Soviet Communist Party's first extraordinary conference

in 47 years.
Some 5,000 people packed
the huilding's three tiers as Mr
Mikhall Gorbachev emerged to.
a scripted standing ovation against a backdrop dominated by a rust-red half-tone of Vla-dimir Lenin looking grimly

He was flanked on the plat-

form by leading politburo members, with Mr Yegor Ligachev, long regarded as the ghost at the reforming leader's feast, on his right and Mr Andret Gromyko, the veteran President of the Snpreme Soviet, on his left.

The affair began in tradi-tional manner with a hrisk and businesslike vote on the conference administration and agenda. All the party lists were approved unanimonsly

with Mr Gorbachev barely chev hit at the "ossified sys-

Once into his speech, however, the Soviet leader made plain that he did not like all this unanimity as he sketched out plans for multi-candidate elections hy secret ballot with tenure of office limited to two five-year terms. But he backed away from the idea of an upper age limit on jobs. Beginning with an asse

ment of the effects of his reform programme Mr Gorba

threatened to condemn it forever to pre-history. Warming energetically to his theme, he blamed the "elements of stag-nation" and "forces of inertia" in management and the party for "undisguised attempts to

pervert perestrolka."
Even he, however, felt the need to soften his call for mass self-purification with a liberal sprinkling of comforting homilies which hrought the only breaks for epplause. Just when

his audience might have from traditional dogma, Mr Gorbachev craftily introduced a quote from Lenin, as if to demonstrate he was eimply restating socialist ideals.

Sipping from a glass of milk frequently replenished by a waiter seemingly oblivious to the drama of the moment, Mr Gorbachev went on to urge wide-ranging changes in party organisation.

### W Germany expected to follow UK and raise rates

BY Andrew Fisher in Frankfurt and Philip Stephens in London

WEST GERMANY'S Bundesbank is expected to raise its discount rate tomorrow following a fur-ther increase in UK base rates

The Bundesbank is expected to ncrease its discount rate by half a point to 3 per cent in an effort to counter the D-Mark's weak-ness, exert greater control over the money supply, and act against incipient inflation.

Speculation that the central bank would lift the rate gathered strength yesterday as concerted intervention by European central banks had only limited success in braking the dollar's recent rise on foreign exchange markets. After falling sharply in an immediate reaction to the intervention.

diate reaction to the intervention, the US currency subsequently recouped much of its losses.

The dollar closed in New York, yesterday at DM1.8220, up from DM1.8217 on Monday, and at Y132.65 up from Y131.12.

In Britain, the Government yesterday pushed up the cost of borrowing for the fourth time this month, signalling a ½ point rise in banks' base lunding rates to 9½ per cent in response to to 9% per cent in response to Monday's news of a massive increase in the UK's trade deficit. The rise, announced by the UK's major banks after e lead from the Bank of England, is expected to trigger higher home loan rates in coming weeks.

Mrs Margaret Thatcher, the Prime Minister, said that tha news of a worst-ever £1.2bn (\$2.13bn) deficit on the current account of Britain's balance of payments in May had been "very disappointing"

disappointing".

In Frankfurt, German call money rates of up to 4.5 per cent were already signalling a rise in the discount rate - unchanged at 2.5 per cent since last December a week after the cost of securities repurchase deals ('repos') was increased to 3.50 from 3.25 per

The dollar sales, led by the Bundesbank and estimated by one European official to have totalied around \$500m, followed small-scale intervention by the US Federal Reserve on Monday. The Bank of England, the Bank of Italy and the Bank of France as well as several smaller Euro-pean central banks joined in yesterday's intervention, though on a similarly modest scale. The Bank of Japan, however, appeared not to have partici-

The US currency's resilience hardened expectations that tomorrow's meeting of the Bundesbank's council would react to the continuing outflow of funds Continued on Page 20

# Thatcher objection to European currency jars summit conclusion

BY DAVID MARSH, DAVID BUCHAN AND WILLIAM DAWKINS IN HANOVER

more wrangling over future mon-etary union after Mrs Margaret Thatcher, the British Prime Min-ister, yesterday signalled deep on to significant steps to strengthen currency co-opera-

Mrs Thatcher struck a jarring note as the EC summit in Han-over ended yesterday on a gen-eral note of bonhomie. "I do not share the vision of e united states of Europe and a single currency,"

The 12 Community leaders declared as their objective "pro-gressive realisation of economic

Thygesen, a Copenhagen economics professor, Mr Miguel Boyer, a former Spanish Finance Minister, and Mr Frans Andriessen, a for-mer Dutch Finance Minister who

is now an EC Commissioner. Mr Helmut Kohl, the West Ger-man Chancellor, said the meeting had given new drive towards economic integration. He was winding up Bonn's six month EC presidency, which has been highly euccessful in pressing forward with plans for e genuine common

bank, backed by the French and Italians but anatheme to Mrs Thatcher, is certain to loom large

market by 1992. The idea of e European central

THE European Community faces ager of the Bank for Interna- The most outspoken supporter of more wrangling over future montainal Settlements, Mr Niels a European central bank, Mr Ciriaco De Mita, the Italian Prime Minister, said: "Everybody knows it is absolutely impossible to commoo currency and an institu-tion to govern this currency and

monetary policy.

Mr Delors said in a joint press conference with Mr Kohl thet Europe's years of difficulties had given way to a "somewhat euphoric" pace of renewal. He said later that Mrs Thatcher's bostile remarks yesterday over European monetary integration should not be taken too seriously. In Britain, Mrs Thatcher's opposi-tion to full UK membership of the European Monetary System had made her "a little isolated."

Mr Delors was given e formal two year renewal as EC Commis-sion president from the end of

1988. He made clear yesterday he expected to stay on for a total four years as president. four years as pres

The committee has been asked to complete its work in time for Finance Ministers to scrutinise its findings before the Madrid summit a year from now. EC share stakes move; Working conditions plea, Page 2

### IPSWICH (200 MINS) BIRMINGHAM (100 MINS) EXETER (120 MINS) SOUTHAMPTON (180 MINS) Make the right

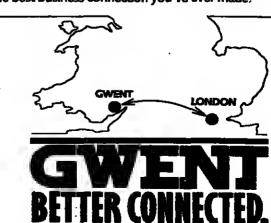
OXFORD (140 MINS)

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BAHAMAS IRRITATION DEEPENS OVER US DRUGS

CHARGES Conspiracy theorists say Sir Lynden Pindling is keen on a Cuban

air link as a warning to the US. Page 20

Iran: Rafanjani - pragmatic power behind

splitting up the DHSS divide of economic policy Drought: US crops calamity may help cut Europe's grain mountain ...

Lex: Racal; markets; Berisford; Smith New

Boxing Tyson delivers a knockout blow for Management: An indian motorbike maker's strategy in international markets Technology: Japanese computing services lays the software ghost in Paris Editorial comment: The party and the state; Britain: Church and government - the great

# Gorbachev strives to entrench his revolutionary changes

The following are extracts from the official English translation of Mikhaii Gorbuchen's opening speech to the 19th Communist

Party Conference yesterday.

Comrade delegates, the hasic question facing us. delegates to the 19th All Union Party Conference, is how to further the revolutionary restructuring launched in our country on the initiative and under the leadership of the Party and make it irreversible.

The past three years of our life may be quite legitimately described as a radical turn. The Party and the working people have managed to halt the country's drift towards economic, social and spiritual crisis.

The pereatrolka policy, as translated into concrete soclo-economic programmes, is becoming the practical business

of millions of people.

But does this mean that changes for the better are under way everywhere, that they are going on in full gear and that the revolutionary transformations

have become irreversible? No it does not. If we want to be realists, comradea, we must admit that this has not yet occurred. . What we need now are new, qualitative changes, and that calls for cardinal solutions and vigorous and imaginative action.

### **E**'CONOMY

The economy is gradually gain-ing pace. Last year, for the first time, the entire accretion of the national income was obtained by increasing the productivity of labour. People's per capita real incomes have begun to grow

The hirth rate has gone up while the death rate has dropped. This is related to no small extent to the war we have declared on hard drinking and alcoholism. These are the tangible fruits of perestroika. But comrades, we have got to be self-critical; we must see clearly that despite all the positive effects, the state of

affairs in the economy is changing too slowly.

Frankly speaking, comrades, we underestimated the extent and gravity of the deformations and stagnation of the preceding

How serious the situation is may be judged, among other things, by the country's financial situation. For many years, the state hndget expenditure has grown more rapidly than revenues. The budget deficit is pressing down upon the market, undermining the stability of the rouble and of monetary circula-tion as a whole, and giving rise

to inflationary process Let me begut with t problem, which is probably the most painful and the most acute problem in the life of our society. Some advances are on hand. But they cannot satisfy us. In substance, the increase we have achieved in food output has largely been used to cover the demand connected with the growth of the population. . . We have neither the moral nor the political right to tolerate the

shortest and most dependable way of achieving the desired output of food is broad introduction everywhere of lease arrange-ments and other effective forms of organising and stimulating labour... Everything depends on how quickly we can arouse people's

delay in solving the food prob-

Experience shows that the

interest and promote the work of contractual and lease collectives, on how broadly we can enlist farmers in this process and make them true masters on the farm. Difficulties arose largely due to the tenacity of managerial stereo-types, to a striving to conserve

familiar command methods of economic management, to the resistance of a part of the managerial cadre. . . Indeed, we are running into undisguised out the maximum activation of pletely.

the new managerial forms with

the old content. And what is most intolerable is that enterprises are being com-pelled by means of state orders to manufacture goods that are not in demand, compelled for the simple reason that they want to attain the notorious "gross out-

put" targets. Need I say that this is totally contrary to the sense of the reform, that it amounts to the conservation of management methods that have driven our economy into a dead end.

economy into a dead end.
Enterprises thet have been given the right to reward their more efficient workers and cut down on the incomes of those that are lazy, wasteful or idle, are using it much too timidly in fear of offending anyone.

To put it plainly, the reform will not work, will not yield the results we expect, if it does not affect the personal interests of lit-

affect the personal interests of literally every person.

Many things now depend on price reform. Without a pricing reform we shall not be able to create normal relations in the

economy and to secure a properly

grounded assessment of the costs and results of production, to

secure an equivalent exchange of 'For much too long uniformity. monotonous conformity and mediocrity were made out to be the hallmarks of

progress.'

goods and services, to stimulate scientific and technological prog-ress, to encourage savings of resources, to normalise the situation on the market, and to ensure

a fair division of labour. The price reform cannot fail to affect retail prices. Today the retail price of many food products, notably that of meat and milk, is considerably lower than the actual cost of producing them, lower than the state's procurement price. The state is compelled to cover this difference in the form of a subsidy. That is not a normal situation. It undermines the incentive for producing these products, and gives rise to a wasteful attitude, especially

towards bread. We know all this perfectly well, comrades. It is a sary to resolve this problem, no matter how difficult it may be and no matter what doubts and fears it may create at first glance Here is our approach: the funds which the state is paying out as subsidies today will be handed

over in full to the population as

compensation.

It is essential to use the lessons of the first few years of peres-troika to work out a strategy for the future. This means first of all that people's needs for quality food products must be satisfied, that the market must offer con-sumer goods of the desired range and of high quality, that the housing programme must be carried out, and the health service, public education, and culture

mproved... The central committee expects the conference to endorse this

For how long more are we to revolve within the vicious circle of outdated notions and formulas, such as production for the sake of production, and the plan for

SCIENCE, CULTURE

attempts at perverting the the intellectual and spritual essence of the reform, at filling potential of society, which is potential of society, which is cation of the functions of party embodied in science, education and state bodies in conformity and the whole of culture.

> the prestige of scientific work vanguard of society and the role have in recent decades clearly of the Soviet state as an instrudeclined. What is needed is to build np a cardinally new ple.
> national scientific potential,
> without which there can be no
> speedy breakthroughs in basic research, and on this basis to put into effect the whole set of pro-grammes that have been drawn up for our soclo-economic reor-

There are also quite a number of people who react with annoy-ance to creative quests and who see mounting diversity as a departure from the principles of socialist art. . For much too long uniformity, monotonous conformity and mediocrity were made out to be the hallmarks of progress. We still lack the custom to engage in debate, to dissent, to practice free competition.

### **FOREIGN POLICY**

In assessing Soviet foreign policy in the post-war period, we must keep in mind that imperialism, in effect, created an extraordinary situation around us and our allies. The military threat

But while concentrating enormous funds and attention on the military aspect of countering imperialism, we did not always make use of the political opportunities opened up by the fundamental changes in the world.

What was needed was not just a refinement of foreign policy but its determined reshaping. The new thinking is not a final and consummate doctrine. It is dialec-

tical, which makes possible the constant perfection and develop-ment of our policy in keeping with the forward march of real We have begun to base our contacts in relations between states on dialogue; in the sphere of dismarmament on a readiness to accept far-reaching reciprocal

**POLITICAL REFORM** It is a fact, and we have to admit this today, that at a certain

stage the political system. . . underwent serious deforma-'For how long more are we to revolve within the vicious circle of outdated notions

as production for production's sake?' tions. . . This made possible the omnipotence of Stalin and his eutourage, and the wave of repressions and lawlessness.

and formulas, such

With state structures bureau-cratised and the people's social creativity impaired, society became accustomed to single-op-tion and static thinking. It is this ossified system of government, with its command and

pressure system, that the fundaental problems of perestroika are up against today.
We are learning democracy and glasnost, learning to argue and conduct a debate, to tell one another the truth.

In raising the question of cardinally reforming the political sys-tem, we must proceed above all from a clear understanding of which of its qualities have stood the test of time and are needed by us today, and which, on the Percetroika, the renewal of contrary, have to be reduced to a only be settled in one way - hy socialism, is inconceivable with-minimum or overcome com-ensuring, within the existing

with Lenin's conception of the The social status of science and Communist Party as the political ment of government by the peo-

### **HUMAN RIGHTS**

Human rights in our society are not a gift from the state or a boon from someone. They are an socialism, its achievement. . It is important for us to under-

stand, comrades, that it is a per-son's standing in eoclety, the rights conferred on him and his duties that ultimately determine his activity in society, at work, in political affairs. Perestroika has brought the onestion of people's political rights into abarp focus. Their implementation was affected particularly painfully by the command methods of administration and associated restriction of democracy. All this retarded and inhibited the process of overcom-

inhibited the process of overcoming the people's alienation from government and from politics.

I would like to dwell particularly on the political freedoms our allies. The military threat that enable a person to express became for us a constant factor his opinion on any matter. The and it has not been removed to implementation of these freedoms is a guarantee that any problem of public interest will be

### GOVERNMENT

discussed from every angle.

We are facing the pressing task of restoring the full authority of the Soviets of People's Deputies, and half-measures just won't do. The CPSU Central Committee is submitting the following propos-

als.

First, that representation of working people in the top echeion of government be extended considerably. With this end in view, direct representation of the civic organisations incorporated into our political system should be edded to the currently existing territorial representation of the entire population. All these deputies, elected for a five-year term, would comprise a new represen tative supreme government body
- the Congress of the USSR Peo-

ple's Deputies. The Congress. . . would elect from its members a relatively

small - say 400- to 450-strong bicameral Supreme Soviet, which would consider and decide all legslative, administrative and monitoring questions.
Second, the work of the chambers of the USSR Supreme Soviet

should be stepped np and their current anonymity ended.
We also believe that the government structure at top level should comprise a Presidium which would be guided in its work by the President.

### **ETHNIC RELATIONS** Since this subject is extremely important and topical, we should

discuss it right now, at this conference. The important thing is to see the actual picture which includes both our obvious achievements and obvious short-We have recently seen for our-

selves how tangled the problems of inter-ethnic relations can become. This means that we must do our utmost to protect and nurture our peoples' hrother-hood and friendship. To try to set people of different ethnic back-grounds against each other, to sow mistrust and hostility between them is a grave offence against one's own people and socialist society, let alone against the law.

Our population is highly mobile, many people live outside their territorial ethnic entities, and some ethnic groups have no territorial autonomy. Certain collisions may occur, and they can state structure of our Union



BY LESLIE COLITT IN EAST BERLIN THE WARSAW PACT'S WESTERN-

most outpost, orthodox East Ger-many, signalled a cool reaction, through its official media, to the reforms outlined yesterday hy Mr Gorbachev, while Hungary welcomed the Soviet leader's ideas on liberalisation. In between these two
extremes, officials in Czechoslovakia – which launched economic but not political reforms
– cantiously approved of his

aim to provide greater legal security for citizeus. But the Czechoslovaks were sceptical whether Mr Gorbachev would be able to achieve his economic

East German television carried Mr Gorbachev's speech live but it refrained from commentary. The party newspaper Nenes Deutschland planned to carry his address in today's edition hut would abstain from commenting,

agency, played down Mr Gorba-chev's proposals to democratise the Soviet system. Instead, it stressed his criticism of Soviet posals might have come too late.

nation and nationality and of the

entire community of the Soviet

Union's peoples.

Perestroika has thrown into particularly bold relief the con-servatism of our legal system which is so far largely oriented not on democratic or economic, but on command-style methods of administration and government with their numerous bans and petty regimentation.

The public demands stiffer penalties for cases of contempt of court. . . strict observance of the democratic principles of justice such as the competitiveness and equality of the parties, glasnost, openness, the ruling out of prejudice or bias against the defendant and absolutely no departure from the principle of innocent until proven guilty."

PARTY REFORM

dards. East Germany says its steady economic growth was achieved with highly centralised planning and minute controls. The East German leader, Mr Erich Honecker, has refused to emulate the Soviet reforms which he regards as potentially destabilising on the front line of socialism.

Meanwhile enthusiastic Hun-garian officials noted that Mr Gorbachev's proposals for social-

ist pluralism within the one-party system were "precisely" what the Bndapest leadership was advocating to reform the Stalinist system.

By contrast, state radio in

Romania, which flatly rejects the Soviet reforms, failed even to mention the Soviet party conference at which Mr Gorbachev

spoke.

The most interesting reaction, perhaps, was that of a Soviet official in East Berlin who spoke privately that the tragedy was that Mr Gorbachev's reform pro-

the greatest possible accommodation of the CPSU as the political vantion of the interests of each guard. But to perform these functions, the Party should remodel its activity, the style, methods and forms of its work - from the grassroots level up to the Central Committee.

The matter is, in the first place, that the principle of demo-cratic centralism, which underlies the structure and activity of the CPSU, was at a certain stage largely replaced by bureaucratic centralism.

The task now is fully to restore the Party an atmosphere of fidelity to principle, openness, discussion, criticism and self-criticism, unconditional personal responsibility and efficiency.
The prestige of elective bodies

as full fledged representatives of Communists should be restored. The secretaries, bureaux, and especially the Party apparatus should be under the control of the elective Party body.

PARTY REFORM

We have defined the functions

The elective Party body.

Openness, a critical approach and efficiency should reign in all elective bodies. This applies also to the activity of the Party apparaments.

conditions

By William Dawkins

EUROPEAN Community gov-

ernments yesterday called for

new measures to improve conditions for the EC workforce

economic performance and the Most Soviet citizens were a prod-difficulties in raising living stan-uct of Stalinist rule. "The probuct of Stalinist rule. The prob-lem with perestroika is that the Russian people are not ready for it," he anggested. A generation which had grown up under Stalin and Brezhnev simply "We are a proud, nationalist

could not grasp Mr Gorbachev's people who are in love with the vastness and greatness of Russia. But we have no work ethic, no

products to strive for and no

incentives," he noted.

But even more important, the
Soviet official said, Russians had
an "unbroken history" of worshipping their leaders as infallihle gods. This was the opposite of what was needed in order to

I am afraid the biggest threat to perestroiks does not come from the opponents whom Corbacher always mentions but from widespread apathy. I fear the reforms will end inconclusively and Gorbachev will tragically slide back into the habits of our past rulers."

ratus, which should have no unjustified secrecy in its work.

**FUTURE OF** SOCIALISM

Today, reacting to the restora-tion of truth and justice, to the renunciation of everything that deformed socialism and practice, to the destruction of stereotypes and dogmas, some people main-tain that this is eroding the principles and pillars of socialism, and maligning its history. We cannot agree with this, comrades. Most emphatically not. We have no right to permit per-

estroika to founder on the rocks of dogmatism and conservatism, on anyone'a prejudies and personal ambitions. What is at stake is the country's future, the future of socialism. . . I want to say, categorically,

here at the conference, that we shall continue to develop all truly socialist values, and firmly eliminate everything that distorts revolutionary theory and the image of socialism.

### Armenian hopes on Nagorno Karabakh rebuffed

MR GORBACHEV yesterday ruled out boundary changes as a solution to ethnic tensions such as those that have flared in Nagorno Karabakh in Tran-

scaucasia. He told the party conference that people who encouraged ethnic divisions were flouting the law

divisions were flouting the law and hampering democracy and his reform programme.

Mr Gorbachev's remarks, the clearest indication yet that the Kremlin will resist calls to transfer Nagorno Karabakh from Azerbaian to neighbouring Armenia, came amid reports that strikes and unrest were continuing in the dis-

were continuing in the disputed region.
The party newspaper Pravda
reported that only 50 per cent
of workers in the region —
mostly peopled by Armenians
— had heeded the call to end

their month-long general strike called to back demands for uni-

fication with Armenia. Mr Gorbachev said that in the

"highly mobile" Soviet Union, many people lived outside their ethnic territories and some eth-

nic groups had no territorial "Collisions may occur," he said,
"and they can only be settled.

hy ensuring within the
existing state structure of the
Soviet Union, the greatest pos-

sible accommodation of the interests of each nation and nationality and of the entire (Soviet) community.

"Any other approach is simply impossible and any attempt at

moving in a different direction would lead to disaster," he

warned.
Mr Gorbachev conceded that the authorities had been guilty of "occasional failure to dovetail the interests of individual nations and of the Soviet

But he called on nationalities to live in harmony. International-isation of the economy and society within the country was inevitable, Mr Gorbachev said. "Any obsession with national isolation can only lead to economic and cultural impoverish-

200

<u>.</u>

4

Union as a whole".

He reminded delegates that a spe-cial plenary session of the rul-ing central committee to discuss ethnic tensions would be held shortly.

The Soviet leader's remarks were expected to cause deep disap-pointment among Armenian nationalists, many of whom. have looked on him as broadly sympathetic to their demands. Hundreds of thousands of people have taken part in nationalist demonstrations in Yerevan. the Armenian capital, in which posters of Mr Gorbachev have been prominently displayed.

 A newspaper in the Azerbaijani capital of Baku said that 200,000 Armenians living in the city had criticised the Arme-nians of Nagorno Karabakh as extremists and chauvinists, and appealed for the restoration of order in the region, Reuter reports from Moscow.

The appeal, published in the daily Bakinskiy Rabochiy, said the authorities abould bring to justice "those people who are guilty of the situation" in Nagorno Karabakh. The document appeared in the June 21 edition of the newspa-

per, which reached Moscow yesterday. Analysts said the appeal may

have reflected feelings of vul-nerability by the Armenian minority in Baku. Most of the deaths in ethnic clashes this year occurred in

Sumgait, a coastal city just north of Raku

### OTHER EUROPEAN NEWS

# Beaming Kohl glories in summit euphoria

way yesterday through innumerable television interviews, has seized on the Hanover summit with infectious relish. Like Mr Jacques Delors, the EC Commission president, Mr Kohl

of the past few years. Unlike Mr Delors, who in Brus-Unlike Mr Delors, who in Brussels these days is less concerned had fallen to only 41 per cent of Hanover. "It is good that politiabout national politicking in the electorate, below the score of clans have troubles at home — it made him doubtful whether the

says Europe has gained a new

lease of life after all the quarrels

domestic political reasons playing the European card.

Opinion polls show Mr Kohl's standing in West Germany, and that of his Christian Democratic that of his christ est survey from the Emrid only lasts two days. research institute this week indi-

"It is a distraction," said one

MR HELMUT KOHL, the West France, Mr Kohl has eminent the opposition Social Democratic makes them turn more towards Community was really worth-German chancellor, beaming his domestic political reasons for Party, for the first time since Europe." Whatever the reasons, Mr Kohl

yesterday found it hard to keep his euphoria under control. Mr Hans-Dietrich Genscher, the For-eign Minister and most chulliently European of the government team, was also in Hanover but was put firmly in the shade. Mr Kohl admits that not so np his mind whether a fully-long ago the extent of EC disutes fledged European central bank

Only a few months ago, he was

voicing deep public misgivings about the French proposals for a European central bank Now he believes some form of

- against strong reservations from the UK that this might monetary union is 90 per cent hold up business deregulation.
They called for tougher EC rules on health and safety at certain by the end of the century - although he has still not made the workplace, better access to vocational training for the Community's workers and asked the European Commis-Community leaders warn South Africa over the Sharpeville six

> be conceived in such a manner as to benefit all our people." said the final communique from the European Summit. It provided a lift to the ambitions of Mr Jacques Delors, Commission President, to build more social policy into the mainly business oriented scheme to create a single EC market.

### Brussels rules on share Better working stakes likely to be passed sought in EC

LEGISLATION to oblige investors throughout the European shareholders will have to disclose Community to disclose share a 10 per cent stake to the combe approved at a meeting in Brus-sels next month

The proposal - which lays days. down "minimum standards" but goes less far than current rules applied in some countries, such as France and the UK – is widely expected to attract enough support from member-states at the forthcoming Council of EC Economic and Finance Ministers to overcome staunch objections from West Germany.

The issue of "transparence" in share dealings has been given added significance by the recent wave of European takeovers, The proposed EC directive, however, was put forward in 1985 and far from being designed as an "anti-raider" device was prompted by the need for greater shareholder protection in the

stakes in public companies of pany, which will then have to more than 10 per cent looks set to pass it on to the relevant regulatory authority and make the information public within seven

FINANCIAL TIMES

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### BY WILLIAM DAWKINS IN HANOVER into Europe, possible moves draft prepared earlier by foreign was as always to ensure that our which are being studied by offiministers be rewritten. EUROPEAN Community leaders edly murdering an official. yesterday fired a fresh warning

shot to South Africa over its human rights record and pleaded They told Pretoria that diplomatic relations with the EC risked being worsened and urged "that all legal options available", be used to stop the execution of

That included, if necessary, a grant of clemency for the six from President Botha, said a for mercy for the Sharpeville six. statement agreed at the European summit. However, the announcement stopped short of threatening to

scale down the number of EC dip-

lomats in Pretoria or the number

cial working groups.

intense debate between Britain, which has always urged a more cautious line on South Africa than its EC partners and France, which wanted a toughly worded

The warning came after French President, who eventually Prime Minister.

ministers be rewritten.

"I found it to be insufficient,"
said Mr Francols Mitterrand, the clemency for the Sharpeville six." Community leaders also warned that a draft South Afriaccepted a compromise drawn up warned that a draft South Afriby Mr Rund Lubbers, the Dutch can hill to clamp down on foreign cash contributions to anti-apart-Sir Geoffrey Howe, UK Foreign additional strain on the relations the six blacks sentenced for alleg- of South African officials allowed statement and demanded that the Secretary, said: "Our concern of the Twelve with South Africa".

# sion to step up consultations with trade unions and employ-ers on the EC's plans to scrap all internal trade barriers by The internal market must

FINANCIAL TIMES, USPS N mors integrated financial services market envisaged for 1992. Under the plans to be put to

### **EUROPEAN NEWS**

# Italian bankers air grievances at financial policies

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TENSIONS between Italy's government, the central bank and This should make bank interest leading bankers over banking rates more responsive to mone-regulation and economic and financial policies surfaced yester-day in contract to the appear of the Parkey' Association com-

regulation and economic and financial policies surfaced yesterday in speeches to the annual meeting of the Italian Banking Association.

The rebukes were issued in the quiet, aemi-coded language appropriate for the occasion, but they revealed that the Bank of Italy is increasingly worried that the government has not implemented a single measure in pursuit of its strategy for reducing the public deficit, while the banking industry believes it has been injured by the marketing of public debt and the slow pace of change in its regulatory framework.

Mr Carlo Azeglio Ciampi, Bank of Italy governor, quietly censured the government for the recent teachers' pay deal which threatens to trigger inflationary demands from other public sector

Table 1 The Piero Barucci, president of tha Bankers' Association, complained that hank profits last year were badly hit by plunging bond prices caused by the volume and timing of public debt issues. Higher interest rates were sucking savings out of bank deposits into government issues, and as a result the banks were short of liquidity and hard pressed to maintain loans to maintain lo

threatens to trigger inflationary demands from other public sector workers. He urged the adoption about the "burdensome regime" of a broadly-based incomes policy and repeated his call, first deliv-ered in May, for action to damp

already announced which are designed to cut the 1988 budget deficit from L122,000bn (£53bn) to in Europe, he urged the banks to

of reserve requirements. down domestic demand which, he implied, was pushing the economy towards a dangerous flirtation with higher inflation · Governor Clampi indicated omy towards a dangerous flitta-tion with higher inflation.

In response, Mr Giuliano
Amato, the Treasury Minister, would be increased by the steady agreed that "there is a clear liberalisation of capital move-

deficit from L122,000th (ESSOR) to L115,000th, and promised that action would be taken by July 15. He also announced that threemonth Treasury bills would no longer be issued with a base price attached. Prices in future will be

### Draft anti-trust bill ready for parliament

posals are expected to be sent to

first possible piece of national competitive pressures and the legislation in this area, it is new dimensions of the market".

designed to dovetail with the This will mean that mergers ons and to rei ulate mergers. involving both public and private months of opening an investiga-companies within a purely tion — which must be within 30 national framework.

The province of public and private months of opening an investiga-tion — which must be within 30 days of notification.

The proposal's key concept is Responsibility for administer-that of abuse of dominant posi-ing the law will be given to a "Competition Guarantee Author-"Competition Guarantee Authoracquisitions and joint ventures leading to the creation of a unit lower house of parliament, the with annual sales above L500bn Camera.

THE Italian government's long- (£215m) must be notified in awaited anti-trust legislative pro- advance, as must the takeover of a company with annual sales

posals are expected to be sent to parliament within the next 10 days following the completion of a draft bill containing 29 articles by the Ministry for Industry.

The version prepared by the Minister, Mr Adolfo Battaglia, is something of a synthesis of opinions produced by a Senate committee and a special Ministerial committee and a special Ministerial committee of experts. As Italy's trial restructuring in the face of first possible piece of national commetitive pressures and the

Treaty of Rome's anti-trust provican be assumed to be authorised unless the administering autho takeovers and joint ventures ity opposes them within four

tion leading to a distortion of "Competition Guarantee Author competition, for which compenies ity" whose five members will be can be fined up to 3 per cent of of proven independence and expetheir turnover. All mergers, rience and nominated by the presidents of the Senate and the

### **Poll boost for Premier**

ITALIAN Socialists yesterday two points to reach 35.7 per cent. outstripped the Communists for In the larger Friuli Veneziathe first time in a regional poll, but the Christian Democrats (DC) strengthened their 40-year role as

The final combined results, from the two northern regions of Friuli Venezia-Giulia and Valle d'Aosta, were seen as a clear acclamation of Mr Ciricao De Mita's two-month- old premiership at the head of a five-way

Giulia region, regarded as the more significant of the two polls, the Socialists of former Prime the nation's dominant political Minister Bettino Craxi increased force, Reuters reports from their vote by 6.4 per cent to reach 17.7 per cent.

The Communists slumped four points to 17.5 per cent in Friuli Venezia-Giulia where in the last local elections in 1983 they had recorded a 10 per cent lead over

Combined final results from coalition.

The two-day poll, involving a Socialists on 16.9 per cent and million voters, showed the his Christian Democrats had gained the Communists on 17.2 per cent.

### Danish warship protest BY HILARY BARNES IN COPENHAGEN

DENMARK'S opposition Social Democratic Party plans to use US on May 10 after a centre-left majority in the Folketing passed a resolution calling on the government to inform visiting warmless they give assurances that they do not carry nuclear weapons.

The US and UK regarded the

ons.
The party's leaders will send a signed letter to the captain of the US destroyer Convugham — due to visit the Juliand port of Aalborg on July 4 — explaining that Denmark does not permit nuclear weapons on its territories.

This is the latest twist in

The US and UK regarded the resolution as inconsistent with their policy of neither confirming nor denying tha presence of nuclear weapons on their ships.

Britain cancelled naval visits to Denmark initil the post-elec-tion government clarified policy This is the latest twist in at the beginning of this month.

Care of The Environment The Financial Times proposes to publish this survey on: 18 July 1988

nopsis and advertisement details, ples ar-Johnson on 01-248 8000 ext 4148 or write to bim st: cken House, 10 Cannon Street London EC4P 48Y

**FINANCIAL TIMES** 

### **Portuguese** may get land back

By Diane Smith in Lisbon

PORTUGAL'S parliament yes-terday began debating a pack-age aimed at reversing or comage aimed at reversing or com-pensating for the collectivization of 1m hectares of farmland following the Communist-led takeover 13 vears ago.

Hundreds of supporters of the dwindling collective farm movement marched to Parliament in protest.

If passed, the law would restore a proportion of the land to former owners. A further part may be formally taken over by the state with compensation based on 1975 prices. After the revolutionary clauses are excised from the 1976 constitution later this year the State may decide to sell off much of the land it

The proposals please neither collectivists overtaken by efforts to modernise Portugal's backward agriculture, nor the Confederation of Portuguese

Collectivists claim new laws will destroy all but a handful of their farms and return them to absentee landlords of the old regime. The Farmers' Confederation claims compensa-tion based on 1975 prices is

# US defence attaché in Athens killed by car-bomb blast

THE US Defance and Naval last few days of a three-year tour Attaché in Athens, Captain William Edward Nordeen, was assassination, which was considered yesterday. Capt Nordeen, which was captured yesterday.

si, was killed minutes after driving off to work at 8am when a powerful explosives charge concealed in a parked car was detonated by remote control as he drew up alongside, just 50 metres from his home in the northern Athens suburb of Kefalari.

Capt Nordeen was serving the demned by both Athens and Washington.

However, there was a wide-strongly reminiscent of a 1985 attack by November 17 against a Greek police bus, which also used a parked car filled with explosives. The past 13 years have shooting in 1975 of Mr Richard welch, the US Central Intellicentity of November 17's mem-

governing the operation of the four US military bases in Greece. Athens is expected to send Washington a letter formally renounc-

ing the agreement

Negotiations will then continue, but under the pressure of examined.

The Greek Justice Ministry said yesterday the request was being tinue, but under the pressure of examined.

wanted in connection with a 1982 Airways aircraft over Hawaii

# Europeans cautioned on liberalisation

the last year towards the deregu-lation of the internal telecommu-

nications market.

He stressed that Europe was committed to more liberal market policies and the stimulation of a competitive industrial struc-ture within the region. But, he added, the Community also had

THE LARGE European trade deficit in telecommunications equipment means that foreign access to the market will have to be linked closely in future to multilateral or bilateral concessions, Mr Michel Carpentler, Head of the European Commission's Telecommunications Directorate, said vesterday.

to take account of tha trade effect of domestic liberalistion in the market for goods and services.

Telecommunication approximately in the UK and West Germany, had been rising very rapidly, reaching almost Ecu 1bn in 1987, whereas European exports to Japan amounted to only Ecu 40m whereas European exports to Japan amounted to only Ecu 40m yesterday.

Mr Carpentier was speaking at the Financial Times Conference on Telecommunications and the European Business Market, where he outlined the progress the Community had made over the lest year towards the decay.

Japan amounted to only Ecu 40m in the same period. As a result, the Community would continue to press the Japanese Government for an improvement in the situation, Mr Carpentier said.

to make major unilateral trade concessions as a result of domes-tic integration. The impact of liberalisation was also underscored by Mr Ake
Lundquist, President of Ericsson
Scandinavia and the UK London, Radio Systems, who said that market driven policies had been important in the development of mobile systems in the world.



Tele~ communications

he argued, had achieved the high-est traffic density for cellular

of business activity, but also due to the competitive framework of the British car telephone market. Europe was in a strong posi-tion to take advantage of the development of the mobile tele-phone market, which was likely to become one of the main ele-ments in the telecommunications

The size of the population in Europe, the experience gained in the first generation of cellular mobile technology, and engineering expertise in network systems would all be of beoefit to the region. But, he added, Europe faced a problem because of its turing, and there were dangers that government policies would not have sufficient market orien-

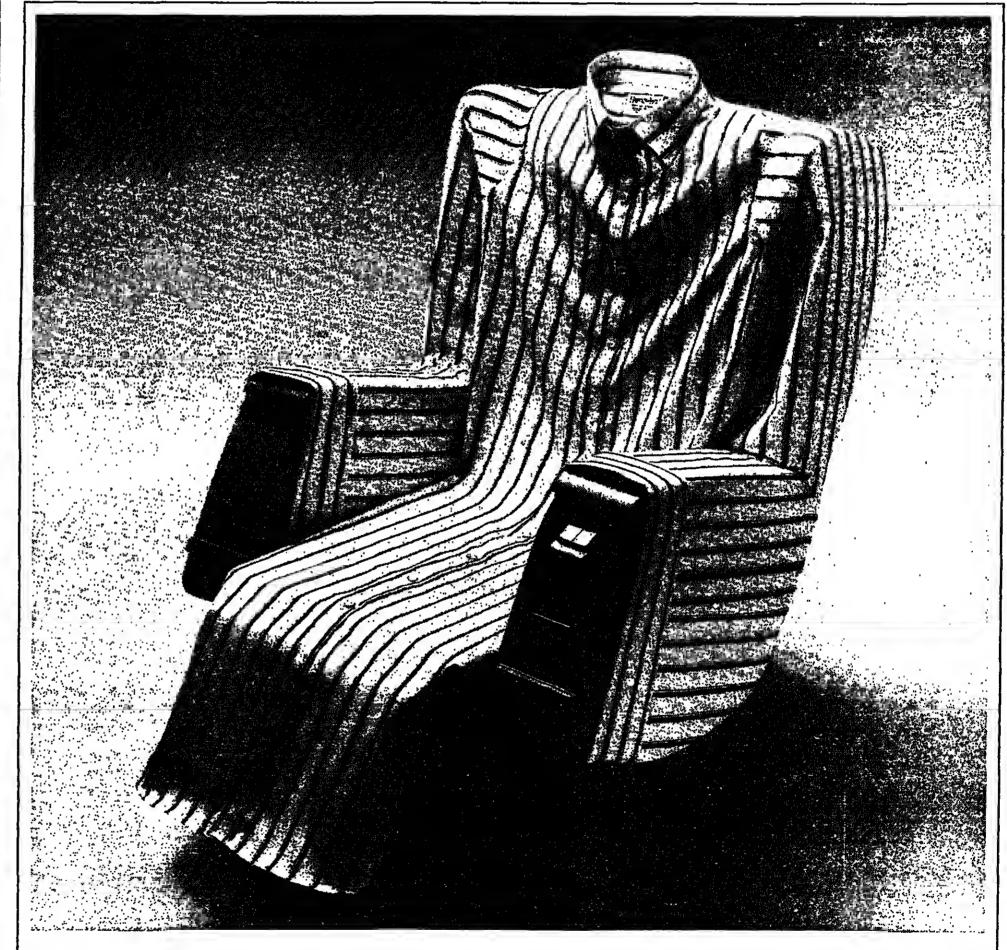
partly because of the high level setting would throttle market

expansion.

Additional support for open market policies came from Mr Gordon Owen, joint managing director of Cable & Wireless. Competition, be said, would drive down prices on telecommunications traffic across the Atlantic, where Cable & Wireless was due to instal the first private fibre. to instal the first private fibre optic cable next year. It would then be possible to send a facsim-

ile message for printing on an A4 sheet of paper for 15p, much less than the price of a letter.

The introduction of the C & W cahle, he added, would mean an over-supply of capacity on the transatlantic route. But this would rapidly open up new markets in a variety of fields, such as facsimile and video telephones, that would soon use up the availtation in future. There was a that would soon use up the avail-threat that restrictive standards-



# This summer, Club World seats come with pearl buttons and Jermyn Street tailoring.

British Airways are now offering free Jermyn Street shirts to Club World travellers.

As you might expect from Club World, these are no ordinary shirts.

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cotton poplin. In both men's and women's styles. The collar designs are unique. The buttons are all fashioned from real pearl.

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**BRITISH AIRWAYS** 



# A war machine split into two competing camps

BY ANDREW GOWERS AND SCHEHERAZADE DANESHKU

IN ASSUMING full responsibility for Iran's war effort as acting Commander-in-Chief, Hojatoles lam Ali Akhar Hashemi Rafsan-jani has taken on the higgest political and organisational challenge of his career to date.

The parliamentary Speakar, appointed to the post by Ayatollah Ruhollah Khomaini earlier this month, has a mandate to establish a unified general com-mand to co-ordinate the work of the various arms of the military, to rationalise Iran's growing indigenous military industries, to ensure more efficient use of resources and to rally public support for the armed forces.

But he inherits a war machine deeply split between conven-tional and revolutionary forces, and hungry for equipment and

The structural division of the military dates back to the revoluelf. The authorities of the new Islamic republic regarded the conventional army with the deepest suspiction in view of its affiliation to the Shah's regime. They subjected it to a series of damaging purges which by 1986 had removed some 23,000 men including almost 17,000 officers, according to a study of the Ira-nian military published last year by the Rand Corporation.

At the same time, a number of parallel revolutionary forces grew np, of which the most prominent was the Islamic Revolution Guard Corps (or Pasdaran). The IRGC was also in charge of another force, the Sepah-e Basij (Mobilisation Army), which provided the manpower for Iran's notorious "human wave" attacks on Iraqi lines between 1982 and

Friction between the army and the IRGC has been evident ever since the latter's establishment. It has provided the revolutionary zeal, while the regular army has contributed the training and mand. logistical skills essential to many of Iran's land victories, such as the 1986 capture of the Fao penin-

The rivalry has important political dimensions, since the IRGC - which with a membership in excess of 350,000 is larger than the regular army + is a sig-nificant power centre in its own

effort. The two forces have competed for precious equipment; tion between them in supply operations has not heen seamless. The IRGC, in its ideological fervour, has on occasion heen reinctant to listen to the advice IRAN'S ARMED FORCES

Instead, Iran concentrated on small-scale offensives, particu-larly in the north, while suffering serious setbacks in the south. The fact that the IRGC has been geared principally for attack rather than defence is thought to have contributed to the defeats.

Recriminations for this year's problems have already begun. They led directly to the replace-ment of the armed forces chief of staff, Brigadier Esmail Sohrabi, who was not disgraced but sent as an adviser to the Supreme Defence Council, the body responsible for conduct of the

The position of Mohsen Reza'i, the Commander of the Revolu-tionary Guards, appears uncer-tain. He publicly admitted to having made "mistakes" after the recapture of Fao in April.

For some Iranian leaders, the answer to the recent difficulties. and the Pasdaran. In a speech after Mr Rafsanjani's appointment, Ayatollah Hossein Ali Montazeri, Ayatollah Khomeini's heir-apparent, suggested that the lack of a single military force had caused the war to drag on.

Do you know why the war has lasted so long, despite the fact that our population is three times Iraq's?" he asked. "Our problem was that we lacked planning, coordination and a single com-

Mr Rafsanjani, who has signifi-cant support within the IRGC but two organisations now". Some other leaders, such as President All Khamenel, have come dut openly against a merger.

cerning the question of which should take over which. As Mr

# Need felt for a breathing space as morale slips

AT THE beginning of this month, Ayatollah Ruhollah Khomeini, ailing spiritual leader of Iran's troubled revolution, appealed to his followers to summon up the revolutionary regime without the revolutional terrority of the revolution o balongs to those who are

It seemed a curiously subdued response to the events of the past a general weakening of political the Iranians free to rebuild their two months, in which Iran has confidence in Iran, amid reports war machine at a later stage two months, in which Iran has confidence in Iran, amid reports war machine at a later stage — separate worst series of setbacks since it was invaded by Iraq in September 1980. The final expulsion of Iranian forces from Iraq's southern soil at the week-tally ill with liver cancer. Some military observers believe the conflict may have come to a head over the much-heralded spring offensive which heralded spring offensive which oever materialised this year.

Iraq in September 1980. The final gestions from US intelligence expulsion of Iranian forces from Iraq's southern soil at the week-end set the seal on a string of military failures which started with the loss of the Fao peningular properties of the properties of the

President Saddam Hussein of Iraq is already crowing about superior commitment to the "final victory" being within war," observes Mr Shahram Chureach. Even in the north, where hin, a leading Iran—watcher Iranian forces are still holding sizeable chunks of mountainous Kurdistan in an effort to offset the reverses in the south, the Iraqis appear to have been more activity inside Iran by the State of It has been clear for some time, National Liberation Army, a left wing Iranian opposition group. It has been clear for some time, Iran's only military response so far has been a limited offensive sense. Many observers of Iranian display to the Iranian display to the more pragmatic politicians favour. The recent military set backs mean that it is not in a strong position to press its case display to the more pragmatic politicians favour. The recent military set backs mean that it is not in a strong position to press its case display to the more pragmatic politicians favour. The recent military set backs mean that it is not in a strong position to press its case digging in around the south-east- ure of its last big offensive on the ern border town of Shakamcheb, Iraqi port of Basra in early 1987, in which the Iranians claim to Iran has been ready to let the

The new-found assertiveness of Iraqi forces has clearly caught Iran badly off guard. It has left his followers to summon up the revolutionary regime without the revolutionary regime without the revolutionary regime without toll of casualties the conflict has significant territorial bargaining already taken — almost certainly patience and endurance" in purchips in any eventual negotiation upwards of half a million Iranian to end the eight-year conflict, and dead and wounded.

The problem has been that

the ground.

The setbacks also coincide with

gran, "raced with irag's superior firepower, Iran's comparative advantage up to now has been its superior commitment to the war," observes Mr Shahram Chnhin, a leading Iran—watcher into the origins of the setting-up of an independent inquiry into the origins of the war, after based in Geneva. "Now that it a ceasefire and withdrawal of has lost this, the balance has changed."

If morale is indeed waning, it leaves the political dilemma concepts the political dilemma concepts a force of the international border, should he implemented in the set that this resolution, which allows for the set ting-up of an independent inquiry into the origins of the war, after based in Geneva. The halance has changed."

fighting wind down to a lower level while looking for s way out that both saves face and to some extent justifies the horrendous

without a plausible military The problem has been that strategy to advance the war on Iraq - fearful that without a formal end to the conflict, such a de escalation would simply leave either to its own will or to that of the international community, as expressed by United Nations Security Council Resolution 598 which called for an immediate end to hostilities almost a year

leaves the political dilemma concated that it cannot accept a for-fronting Iranian leaders more mal ceasefire until such an

menviable double bind: they can neither pursue the war on their own limited terms nor see any

100 miles IRAN Mehran KLWAIT Fac

meets their minimum conditions. namely a desire that the original aggressor in the war (President Saddam Hussein) be named and

Their response has thus far been a classic "holding operation" which sims to leave politi-cal, diplomatic and military options open until a more credible strategy can be evolved:

On the diplomatic front, Iran has been making fresh efforts to counter its international isolacounter its international Isola-tion, especially in Europe. It has resumed full diplomatic relations with France following former Prime Minister Jacques Chirac's hostage deal before the French presidential elections.

It has sent feelers out to Britain, which have borne fruit in the form of a deal on compen-

lution and s visit by a British parliamentary delegation last week. Mr All Akbar Velayati, the Iranian Foreign Minister, has also visited Italy and West Ger-

All this amounts to an attempt to return to the policy of normal-ising relations with the West which was making some head-way in the mid-1980s before being knocked off course by a series of

diplomatic rows last year.

Iran's stated objective is to try
to persuade European countries
to modify their stance on the
war, and in particular to take a more accommodating view of Resolution 598.

· Militarily, the Iranians are promising a major reorganisation of their forces under Ali Akbar Hashemi Rafsanjani, the newlyappointed acting commander-in-chief.

The Ayatollah himself said last The Ayatollah himself said last month that victory would be achieved only on the battlefield and not at the negotiating table. Mr Rafsanjani and other leaders refine the argument by pointing out that Iran has no choice but to try to give its war effort new momentum in view of the poor prospects for an honourable polit-

As Mr Mir Hossain Mousavi, the Prima Minister, said in a recent radio interview: "Wa do not insist on achieving victory. through military means and the war. However, we are not very optimistic. What is in our control for its continuation.

changes may be in prospect is that of domestic economic and social policy. Since the election of a new Majlis (parliament) with a majority of radicals and techno-crats last month, speculation has been rife that the Government may press ahead more rapidly with interventionist economic measures placing more emphasis on social justice and the role of the state. Ayatollah Khomeini has come out decisively in favour of such measures, and this was certainly a theme underlined by Mr Rafsanjani when he addressed the new assembly earlier this

month.

In April, a hill permitting redistribution of urban land was approved; other measures tightening state control of foreign trade and stengthening labour month.

laws may be in prospect.

The significance of all this for the war effort is that domestic issues of ownership and distribution of resources which had long been stalled pending an expected Iranian victory are now being brought to the fore. Some observers see it as a move to compen-sate for defeats abroad by trying harder to satisfy revolutionary

aspirations at home.
It is far from clear, however, that this will succeed in rallying domestic morale in the short term. In the absence of fresh successes on the battlefield, appeals for patience will not extract the leadership from its present diffculties. And if reports of the Ayatollah's ill health are true, the incertainty can only intensity in

# Rafsanjani: pragmatic power behind the revolution

IRAN'S recent war setbacks have placed the spotlight more firmly than ever on Hojatolesiam Ali Akbar Hashemi Rafsaniani, the parliamentary Speaker who was appointed acting Commander-in-Chief of the armed forces earlier

In making the appointment, Ayatollah Ruhollah Khomeini, who is constitutionally in charge of the war effort, has confirmed Mr Rafsanjani as the second most powerful man in the country after himself. In the recent elections to the Majlis (parliament) also defends the interests of the he was elected almost unopposed regular army, has been more circumspect, saying that "it is not important for us to merge the ical" or "conservative". Although his relatively lowly clerical rank of hojotoleylam means that he cannot assume Ayatollah Khomopenly against a merger.

eim's formal mantia when the light.

Certainly, merging tha two pevolutionary leader dies, there is little doubt that he will remain at

Mr Rafsanjani, 57, is an astute, pragmatic man who has been on each now has its own network of Raisanjani points out, the diffi-the inside of Iran's Islamic revo-military industries; and co-opera-culties would be aggravated by lution from the beginning. The tion between them in supply the differences between the two son of a successful pistachio nut bodies - one (the army) an "old- dealer in the town of Ratsanjan established and classic organisa-tion", the other "revolutionary and self-motivated". He has, bow-when he and other "troublesome" reinctant to listen to the advice of the professional military. The ever, called for a salary structure young men were consistent of the Brack to and an entrance requirement for the Shah's Army in 1962 - but ary mission, and subsequently intense political interference the IRGC, which could be a first released from service when it kept in touch with the patriarch was found that young officers in exile. An excellent crator, he is were coming under their influ-the author of two books - one on



Rafsanjani: links with Guards

When Khomeini was exiled to the holy city of Najaf in Iraq, Mr Rafsanjani was one of a number of young clerics entrusted by him

Amir Rabir, a prime minister of alms are achieved. Nor does he Contra affair. Mr Rafsanjani, oppose the export of revolution. although closely involved in the century and a prominent in 1982, for instance, he is said reformer, and another about the personally to have encouraged Palestinian question.

He was a founder-member of the Islamic Republic Party (dissolved last year), was elected Speaker of the Majlis after the first election in 1980 and has held the position ever since. Mr Raf-sanjani is credited with playing a crucial role in giving the revolution a sense of direction when it came under serious challenge, not the least with the bombing of the party headquarters which killed Ayatollah Beheshti, the

He has always been the foremost patron of the Islamic Revo-intionary Guards, His close links with the Guards, or Pusdaron, have provided him with one of his principal power bases. Now es acting Commander in Chief, he entrusted with improving coordination between them and the regular army. Lack of full co-ordination has proved to be one of the great weaknesses of Iran's

military effort.

So what sort of flavour is Mr
Rafsanjani likely to impart to Iranian policies in post-Khomelni
Iran? The changes are likely to be subtle and may not be immediately obvious.

Mr Rafsanjani has made no bones about his commitment to continuing the war until Iran's formed Islamic Amal, the fore-runner of Hizbollah, to adopt more militant policies - which resulted in the car bombings of for it. the US and French military con-

tingents in Beirnt.

no shame at having supped with
He would not dream of disownthe "Great Satan" at a decent dising Hizbollah now, and if the tance, For him, ends justify freedom of hostages held by Iran's proteges in Lebanon can be bargained for material benefit, he would not argue against such s

The crucial distinction lies in Mr Rafsanjani's pragmatism. He believes export of revolution can Mr Rafsanjani's pragmatism. He believes export of revolution can and should be pursued, so long as it does not interfere with fran's besic interests. Thus, he was evidently infuriated by the hijacking of a Knwait Airways jumbo jet hy attempts to reopen a histogram of the spiritual leader. a group of Shias to the franian city of Mashhad in April – an the light of Tehrah's interna-event which occurred just as the tional isolation.

The other subject on which Mr

extreme elements in han's revo- cial issue now an increasingly lutionary Government, Mr Raf- war-weary Iran - where open sanjani also believes that Iran criticism of the continuation of can gain from dealing with for-eign powers. The clearest evi-dence for this emerged as a result from the appears to favour s of Washington's attempt to swap greater concentration on domes-arms for hostages in the Iran-tic policies to compensate.

oppose the export of revolution. although closely involved in the In 1982, for instance, he is said secret dealings with Washington, personally to have encouraged triumphantly survived attempts Lebanese Shias of the newly by Mr Mehdi Hashemi, the man in charge of Iran's terrorist activities until his execution in September last year, to discredit him Mr Rafsanjani would have felt

> means, Iran wanted Hawk and TOW missiles, its Islamic Revolu-tion disciples in Lebanon beld hostages. He put out a "feeler" to the effect that "the Americans knew what had to be done to improve relations, said a CIA report in the summer of 1986

with other Western nations in It is generally assumed that Mr

world, was trying to improve Rafsanjani has marked out a dis-relations with Western countries.

Unlike some of the more He evidently sees this as a cru-

rivalry between Mr Rafsanjani and other Iranian leaders, in the opinion of veteran Iran-watchers. It is true that Ayatollah Hussein Ali Montazeri, Ayatollah's Khomeini's chosen successor as spiritual leader, publicly criticised his decision to stand again as Mailis Speaker after he was appointed commander-in-chief this month. But although the two men are not close collaborators, the heirapparent - a man of lofty princi-ple - is not in any way a politi-

Despite speculation by exiled Iranian commentators to the con-

Rafsanjani will be the chief pow er-broker when the revolution's leader dies. However, with the prospects of victory having faded almost to oblivion, he could prove to be a scapegoat if an "honourable" end to the conflict consistent with the regime's oftstated terms is not achieved. Conversely, as a strong leader of consensus he could be the only man with the strength to find a peace formula and gain acceptance for

# Japanese defence minister to visit SE Asia

BY STEFAN WAGSTYL IN TOKYO

row in the first official visit to Japan was not going "to repeat South-east Asia by a Japanese what happened in the Second defence minister since the Second World War.

in Indonesia, Mr Kawara plans

Cahinet minister, is going on a yesterday whether ha would do mission which reflects Japan's the same in Singapore.

Willingness to play an increased political role in the East Asian of the mission is to reassure

THE HEAD of the Japanese holic significance. Mr Kawara
Defence Agency is leaving for would seek to reassure IndoneIndonesia and Singapore tomorsians and Singaporeans that
Indonesia and Singapore tomorsians and Singaporeans that
Indonesia and Singaporeans that

ond World War.

Mr Tsutomu Kawara, the to visit a monument to Indonesgency's director-general and a stan war dead. It was not clear

Indonesia and Singapore, and

among Western countries. But Strait.

Mr Kawara is expected to argue Officials say potential areas for Mr Kawara is expected to argue that since rankings are drawn up on a dollar basis, Japan's laws prevent it from exporting advance in the table is largely military hardware. Contacts will

beyond its self-imposed limit of budget.

Spending is to rise by 5.2 per 1,000 nautical miles off Japan. In cent in the current financial year particular, Mr Kawara is expecwhich began in April to Y3,730bn ted to refute suggestions that (£16.7bn), making Japan the third Japan wants to play a part in largest spender on defence defending the strategic Malacca

be kept to exchanges of staff col-

### UK businessman doubts Iran will free him soon By Our Foreign Staff

MR ROGER COOPER, the British man who has been beld in Tehran's Evin prison for the last two and a half years on suspicion of spying, received a visit from his brother yesterday but expressed scepticism that recent moves to improve Anglo-Iranian relations would necessarily lead to his rel

Mr Paul Cooper said in Tehran that his brother was in good health and spirits.

Roger Cooper was arrested in December 1985 while on a business visit to Tehran. Last week, he issued a 16-page appeal to the UK Government through a British parliamentary delegation to take the initiative in improving relations with Iran.

Yesterday, he expressed dissat-isfaction with the progress of investigations into his case and asked his brother to contact judicial and political authorities to press for an independent investigation. He said his release seemed no closer now than in early 1986, when his interrogators promised to free him in two

### Seoul bank controversy By Maggie Ford in Secur

ment of an Australian banker on a charge of breaking the labour law and the decision by a French embassy worker to sue the Ambassador for wrong-

The banker, Mr Hngh Spring of Westpac, has been embroiled in an acrimonious dispute with his staff for sevdispute with his staff for several weeks. He has been accused of treating staff in an insulting way, which he denies, and has been criticised in newspaper editorials.

Although the legal charges he faces appear to be minor and unrelated to the current dispute, other bankers are con-

dispute, other bankers are con-cerned that the decision to involve the courts could stir difficulties with the Government and workers in other branches.

A rally of all foreign bank employees last week, which demanded that Mr Spring be sent home, follows a warning from the Bank of Korea, the central bank, earlier this year that foreign managers could be asked to leave if they were found attempting to evade the Government's business rules.

The embassy row follows the sacking last week of a union leader allegedly for incompeance that the parties should negotiate, accepted the

# Israel and US to sign missile defence accord

BY ANDREW WHITLEY IN TEL AVIV

ISRAEL and the US were due to sign a memorandum of understanding yesterday in Washing-ton on the joint development of an anti-hallistic missile, to counter the threat posed to Israel by the recent proliferation of surce-to-surface missiles among the Arab states.

weapon - code named Arrow - was to be signed by visiting Defence Minister Yitzhak Rabin and Mr Frank Carlucci, the US Defence Secretary. The US is to put up 80 per cent of the esti-mated initial cost of \$400m for the development in Israel of tha short-range missiles, due in service in the early 1990s. Already high, Israell anxiety at

The agreement on the new

tha threat posed by chemical warheads in the hands of Syria and Iraq has been raised still further in recent days by leaks from Washington of reported Syrian interest in according a new, longer-range, and more accurate. Chinese missile, the M-9. This would replace the Soviet-made SS-23 that Moscow has refused to supply Syria since the signing of the Intermediate Nuclear Forces

in Jerusalem yesterday Mr Michael Armacost, the US Under-Secretary for political affairs, held discussions with top Foreign Ministry officials, including Mr Shimon Peres, the Foreign Minister, on the missile issue, fol-lowing Monday's talks with rime Minister Yitzhak Shamir. Mr Armacost told Israeli offi-class that the US shared Jerusalem's concerns about the spread of chemical-tipped missiles in the region and had raised the matter

with both China and the Soviet

In public and in private, the Reagan Administration shows little sign of letting up its criticism of Israel's handling of the unrest in the occupied territories, and President Ronald Reagan himself was expected yesterday to reiter ate his unease over the army's behaviour during a scheduled meeting with the visiting Israeli Defence Minister.

Israeli press reports say Mr Rabin will explore the possibility of a \$400m increase in the annual level of US military aid to Israel. currently running at \$1.50m; but held ont little hope that this would be forthcoming in the near future, because of US budgetary

restraints.

• Differences between Palestinian leaders on Middle Rast peace talks and recognition of Israel burst into the open yesterday, with one close aide of Mr Yassir Arafat, leader of the Pales tine Liberation Organisation. denouncing the doveish propos-als of another, Reuter writes

Mr Salah Khalaf, number two to Mr Arafat in the PLO's biggest faction, Fatab, condemned what he called "vain political gestures" by Mr Bassam Abu Sharif who had written s newspaper article calling for talks with Israel in the framework of a UN-sponsored peace conference. He also endersed UN resolutions imply-ing recognition of Israel, as well as those calling for a Palestinian

Mr Khalaf denied that Mr Abu Sharif's views represented official PLO policy, saying: "These articles and statements have done enough harm and have begun to form divisions on the

### Kampuchean leader defiant

By Our Foreign Staff

HENG SAMRIN, the Kampu-chean President, told departing Vietnamese troops yesterday there could be no dissolution of his pro-Hanoi government as part of 50,000 troops from Kampuchea

this year has been quietly underway since May and 40,000 of them will be home by the weekend; Kampuchean officials said. Up to 70,000 Vietnamese troops will remain in the country.

The President, in a speech to some of the departing Victnamese military staff and civilian advisers, called their departure an historic turning points.

an historic turning point. Foreign residents here have seen long convoys of troops, tanks and other heavy military equipment being ferried east along the Mekong River towards Vietnam.

Diplomats in Bangkok said Hanoi appeared to be making good its promise to withdraw, which will leave the army of the Peoples Republic of Kampuchea and its militia to handle Khmer Rouge and other guerrillas. They appear to be convinced that the pull-out is not merely a rotation of troops as has happened in the

Heng Samrin said his forces had gained enough bettle experi-ence since 1978 to cope with the guerrillas. Vietnam invaded the country in 1978 to topple the Kimer Rouge government of Pol-Pot, blamed for the deaths of hundreds of thousands of Kampu-

Heng Samrin said Phnom Penh was ready to negotiate with the Kampuchean opposition, but not with the leadership of the Khmer Ronce He and his of the Khmer Rouge. He said his government categorically rejected the partici-pation of Pol Pot.

According to Defence Agency through them other members of due to the yen's appreciation officials, the visit will be of sym-This notice is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited. It does not constitute an invitation **ERSKINE HOUSE GROUP PLC** 

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29th June, 1988

# Courts enter

CONCERN is growing among foreign employers in South Korea following the indict-

tence. The courts, which have generally stayed out of labour disputes on Government guidemployee's suit alleging unfair dismissal.

Meanwhile, 4,000 staff at 16: Government think-tanks including the influential Korea Development Institute, which is strongly involved in economic planning, have been on strike for several days.

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turing a \$5.5bn slice of Tokyo's gramme to cut the public sector \$30bn fund for developing coundeficit.

He will present plans for 19 projects ranging from steel works and fertiliser plants to irrigation and public works schemes. He will also use the visit to calm any Japanese bankers' anxieties over the \$5.2bn debt rescheduling deal, agreed between Brazil and its commercial hank creditors in

MR Mailson da Nobrega, the Bra- ister would explain his measures zilian Finance Minister, leaves for fighting the country's inflatoday for a week's visit to Japan tion - nearing 20 per cent a with the ambitious target of cap month - and his austerity pro-

> Japanese criticism of Brazil has been remarkable for its forthrightness in recent months. In a public debate on relations etween the countries in Sao Paulo last month, Mr Kouichi Komura, the Japanese ambassador, said he could not advise his countrymen to invest in Brazil.

mism that recent efforts by Mr dal Nohrega to hring order to the economy were in the right direction. In particular, there is satisfaction with the country's new industrial policy that aims to lib-

Nevertheless, Mr da Nobrega may have some difficulty in win-ning Tokyo's backing for such a substantial disbursement from tha so-called Nakasone Fund Many of Brazil's economic wounds are seen by the Japanese as self-inflicted and the Fund's resources are believed to be

ing is ambassador to Mexico for consultations in the wake of Mexico's decision to release a jailed Puerto Rican nationalist wanted by the US for terrorist activities, AP reports from Wash-

The State Department had expressed outrage on Monday at news that Mr William Morales, was released from prison on Friday and allowed to go to Cuba. "The release and deportation to Cuba of Morales even before completing his sentence for murder-

affront to otherwise excellent US-Mexican relations and a great blow to US and Mexican efforts to combat the scourge of interna-

Mr Fitzwater said that the State Department had summoned Mr Jorge Espinosa de los Rayes, the Mexican Ambassador to the US, on Monday night "and expressed our anger over the

years of an eight-year sentence for the murder of a Mexican

'Mexico's action is inexplicable," said Mr Charles Redman, the State Department spokesman. "Mr Morales' violent history is

"He was convicted in the United States of serious weapons possession charges and was implicated in over 50 bombings by a Puerto Rican separatist group which from 1976 to 1978 resulted in the death and injury ath and injury

geous Mexico's decision not to extradite Mr Moralas to the United States because he is a

fight against terrorism by legal He added that Mexico's deci-sion could only have been made for political reasons because the Mexican Foreign Ministry had reversed a finding by a Mexican court that Morales should be

# Peru cushions petrol price rise

BY BARBARA DURR IN LIMA

Armando Villanueva, said on Monday night in a major speech to Congress that the Congress the Congress that the Congress to Congress that the Government would raise petrol prices an average of 58 per cent and that sala-ries of civil servants and union-ised workers would increase by the exchange rate for all imports

He said the two steps were the start of an 18-month programme of economic reconstruction that included renewed talks with the international financial commu-

are to be granted to ameliorate

except basic products such as food and medicines would rise to 105 intis to the dollar from the rate set last week of 75 intis.

The exchange rate for exports, currently 92 intis to the dollar, would be adjusted regularly, he

For what he called "social"

imports, the highly subsidised rate of 33 intis would continue.

ised a series of other steps such as tax increases and curbs on government spending without being precise.

opposition politicians on the left and the right as well as economic

They were quick to conclude that the Government's new plan would be inadequate to solve the country's increasingly deep eco-

### BY JAMES BUCHAN

BY THE time the fighters had Atlantic City late on Monday night, the ring was a tight throng of people. There was Don King, the spiky-haired promoter of the championship bont and the shambling, uncertain Muham-mad Ali and Donald Trump, a lot of Donald Trump, who paid \$11m to get the fight for his casino and was making sure nobody forgot

Michael Spinks, who had never lost a fight, bent and said a prayer. Mike Tyson, who had knocked out 30 boxers, just paced up and down. To say he looked like a wild beast would be wrong, because you never saw a wild IN ATLANTIC CITY

beast of such ferocity and concentration.
Only when Ali shuffled up to him did Tyson pause for a short moment for he is a respectful young man and Ali was a great champion, once, even though he numbles now and fiddles with his glasses and wants to leave the ring if only King would let him. Then Tyson went back to

For weeks, the Tyson camp had been a mill of rumours. His

pacing, up and down, up and

dicted that Spinks, who is 10

years older than Tyson, would were getting \$1,000 a ticket for balcony seats.

nobody on earth would beat him. The rumours were just so much users of publicity in the US, Don King and Donald Trump. Nothing

Tyson delivers a knockout blow for capitalism

and landed eight punches on Spinks. The last of these knocked keep out of Tyson's way for the full 12 rounds and might even knock him out just before the end. Out on the boardwalk, touts were entiting \$1000. and 1982 - but a good deal shorter than it took the Master of Ceremonies to introduce all the But when Tyson started his celebrities brought in by Mr pacing, you could see that Trump, ranging from Carl Icahn nobody on earth would beat him. to Madonna. It was shorter than the applause the audience gave

training was not going well, he was going to distract Tyson, least ship ever in terms of what casino of all Michael Spinks.

Tyson came out of his corner of the Atlantic Chy of the New York Times predicted that Spinks was going to distract Tyson, least ship ever in terms of what casino operators call "the drop". The dicted that Spinks was going to distract Tyson, least ship ever in terms of what casino operators call "the drop". The dicted that Spinks was going to distract Tyson, least ship ever in terms of what casino operators call "the drop". The dicted that Spinks was going to distract Tyson, least ship ever in terms of what casino operators call "the drop". The dicted that Spinks was going to distract Tyson, least ship ever in terms of what casino operators call "the drop". The dicted that Spinks was going to distract Tyson, least ship ever in terms of what casino operators call "the drop". The dicted that Spinks was going to distract Tyson, least ship ever in terms of what casino operators call "the Atlantic Chy in the New York Times preship ever in terms of what cashed operators call "the drop". The 21,785 people in the Atlantic City Convention Hall paid the best part of \$12m. Another \$50m was lined up from closed-circuit showings in theatres all over the US and on pay television. Millions more were probably bet on the outcome or lost in Mr Trump's two Atlantic City casines over the long weekend leading to the

It was, said the Atlantic Chry Press on the morning of the fight, a triumph of capitalism. Capital ism," the paper said proudly, "is more than sport. It is an art

But it was a great fight, the

# New York last week. Brazilian finance ministry officials said yesterday that the ministry of the furnity **US recalls Mexico ambassador**

tional terrorism."

The recall of Ambassador Charles Pilliod was announced by Mr Marlin Fitzwater, the

Mr Morales had served five

ing a Mexican police officer is "Mr Morales' violent history is outrageous, Mr Fitzwater said. "This decision is an inexplicable "This decision is an inexplicable American prioner.

of many individuals."
Mr Redman described as outra

That action undercuts the

The Prime Minister also prom-

His imprecision left many

lake waters to ease drought

Chicago offers

By Deborah Hargreaves

AS the sizzling drought in the Midwest dries up the Missis-sippi River, Chicago has offered to help solve the low water problem by pulling the plug out of Lake Michigan and diverting water down the

controversial move would push billions of gallons of water through the Chicago River and down the Mississippi, raising water levels by as much as six inches to a foot.

Low water levels on the Mississippi have snarled traffic as barges run aground on sand-banks. As many as 2,000 grain and coal-carrying barges were held up last week around Greenville where the water level has dropped six feet Army engineers have strug-

gled to dredge a 9 ft-deep channel to keep the traffic moving but as soon as one sandbank is cleared barges get stuck on

Chicago's proposal to spread the waters of Lake Michigan, however, requires a Supreme Court mandate. Other states bordering the Great Lakes have brought lawsuits against previous diversions because any change in the lakes' water level can disrupt transport and hydro-electric power plants along their shores.

The last time Chicago sent a substantial amount of Lake Michigan water down the Mississippl was in a similar dry spell in 1956. Water levels in Lake Michigan itself are already lower than normal.

THE OPENING bars of the Chilean national anthem sing of the country's "pure blue skies" and the "pure breezes" which cross smog.
The demonstration was broken up by riot police, backed up with a water cannon truck parked a its territory. But for Santiago's 4m inhabit-

few streets away, and three pro-testors, including Green Future President Andres Koryzma, were ants these words have an ironic ring, for the Chilean capital has become, along with Mexico City and São Paulo, in Brazil, one of the most polluted cities in the

In recent weeks, as a thermal inversion coupled with sparsa rainfall exacerbated the capital's chronic smog problem, the pollu-tion issue has become a political beadache for General Augusto Pinochet's 15-year-old military

Santiago lies in a valley ringed by the Andes mountains, a geographical position which prevents winds from sweeping away the accumulated toxins in the

The regime's laissez-faire approach to transport has resulted in tens of thousands of uses and taxis plying the capital's streets, most of them only semi-occupied or empty. Mornin commuters are confronted with a thick, greenish-grey cloud as they approach Santiago's centre, a smog which extends to the capi-tal's outlying suburbs as the day progresses.

On 3 June, a small political group calling itself Green Future. with ties to West Germany's Greens and other ecological organisations, held a demonstration in the city centre. The protestors bearing signs

which said "smog kills and the Government is responsible," and wearing white face masks, lay down on the pavement near the

Chilean anthorities have "The van they used to drive us to the police station spewed out a big cloud of black smoke as we such as weekday bans in the city

drove off, and one of the corabi- centre on vehicles with licence Chile's Government is unlikely to take any measures which might cost it support in the presidential poll

Mary Helen Spooner in Santiago reports on a rebellion against the city's smog problem

plates ending in a certain numneros (police) guarding us had red, irritated eyes from the smog," Mr Koryzma said. "We tried to start a dialogue, saying that the smog was an issue which concerned all of us, and carabineros were among the worst affected. When we got to the station, they unrolled one of our banners and saveral of them not delew takeoff for saveral hours." neros (police) guarding us had banners and several of them nod-ded and smiled." The Green Future party mem-bers were released a short time

afterwards. They were then contacted by an employee of a Euro-pean airline with offices in Santiago's central husiness district, who asked if he and a group of Chilean office workers could join approach, declaring that carabithem in the next demonstration. neros could confiscate vehicle Mr Koryzma suggested they organise their own protest, and a second anti-smog demonstration

was held on 16 June, with about 30 airline employees, secretaries, office and bank clerks donning face masks and holding up posters condemning the regime's failre to address the smog problem. afterwards authorities halted. This time the demonstrators confiscations. ure to address the smog problem.

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Legal Notices

W.W. BROWN LIMITED

NOTICE IS HEREBY GIVEN, pursuent to Section 48 (2) of the Inselvency Act 1988, that a Meeting of unsecured creditors of the shore summed company will be baid at: The Offices of Moores & Foreigned, Cilliand's lan, Fetter Lane, London EC441AS, at 11.00 a.m. on Wednesday 6 July 1965 for the oursons of:

July 1966 for the purpose of: a) having laid before it a copy of the Report prepared by the Administrative Receivers under Section 48 of the said Act

arxi.
b) if thought tit, appointing a Committee.
Crediture whose cistine are wholly secured are not emitted to allered or be represented at the meeting.

b.

(i) they have delivered to me at 115 New London Pland, Chelmeterd, Essex, CM2 (CCT, no later than 1200 hours on 5 July 1305, terthan dealte of the debts they claim to be due from the Company, and their claims have been duy atmitted under the provisions of Pale 3.11(1) of the insolvency Rules 1385; and (ii) there has been looked with one any armay which the creditor intends to be

Registered Number: 485555

delay take-off for several hours

Another stop gap measure involved the obligatory use of vertical exhaust pipes on buses. so pedestrians could at least avoid getting a full blast of noxious fumes in their faces. Two years ago Chilean authorities tried a more aggressive

emissions exceeded the permitted level of toxins. Santiago's bus drivers, many of whom 1962, when 4,000 people died, own their own buses, staged a alowdown in protest. Within hours Santiago's military governor agreed to meet the bus drivers' leaders, and shortly

Pinochet faces a cloud of discontent offices of Santiago's military governor, feigning death from the smog.

The demonstration was broken steered clear of the military governor, feigning death from the protest to the pavement across anti-pollution measures which the street and more changes. the street, and were cheered on by several passers by.

Three Chilean carabineros, all smiling broadly, stood near the protestors but made no move to interfere.

Three Chileans will be asked to vote for against a military selected candidate — who might be General.

Pinochet himself. Pinochet himself.

Military Governor General Sergio Badiola recently promised to take drastic measures if the smog reached critical levels, a situation many Chilesn physicians and health care specialists feel has already come to pass.

These measures would have included a total han on weblets

included a total ban on vehicle traffic in the Santiago centre and closure of contamination-causing industries. But after one day of intermittent rainfall, authorities announced this emergency plan

was no longer needed.

Meanwhile, cases of bronchitis and other respiratory ailments are increasing among Santiago residents. A doctor working at the Miguel de Servet respiratory disease clinic in Santiago reported that the institution

one to lack of space.

Mr Koryzma pessimistically predicts that before the authorities take decisive action, the smog problem may have to reach the levels it did in London in

"When we demonstrated outside the governor's office, we played dead to show what could happen here," he said. "We don't want what happened in London to happen here, but it may come to that eventually."

# **BASE RATE**

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### **Company Notices**

# <u>aae</u>

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

porated in the Republic of South Africa Registration No. 01 05309 08 NOTICE TO MEMBERS

Annual general meeting Notice is hereby given that the seventy-first annual general meeting of members of Anglo American Corporation of South Africa Limited will be held at 44 Main Street, Johannesburg, on Thursday, August 25 1988, at 10h00, for the following business: 1. To receive and consider the annual financial statements for the year ended March 31 1986.

To elect directors in accordance with the provisions of the Corporation's articles of association.

of association.

To consider and, if deemed fit, to continue to authoritie the directors to affort and issue, after providing for the affortment and issue of shares in terms of the share incentive scheme and the employee shareholder scheme, the remaining unissued shares in the capital of the Corporation, in their discretion in terms of and subject to the provisions of the Companies Act. to the provisions or the Comparison July.

Holders of share warrants to bearer who wish to attend in person or by proxy or to vote at any general meeting of the Corporation must comply with the regulations of the Corporation under which share warrants to bearer are issued.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxes to attend, speak and vote in his stead. A proxy need not be a member of the Corporation. If required, forms of proxy are available from the Registered and London offices of the Corporation. By order of the board C. L. Maitby Secretary Registered office: 44 Mars Street Johannesburg 2001

June 28 1968

**RIGGS NATIONAL CORPORATION** US\$ 100,000,000

Floating Rate Subordinated Capital Notes 1886 In accordance with the provisions of the Notes, notice is hereby given that for the period 25 June 1985 to 20 September 1988, the Notes will carry a rate of interest of 7  $\frac{1}{4}$ . We per amount with a course amount of USS 1989, and

> US \$15,000,000 Floating Rate Subordinated Notes Due 1994

**IRELAND** Notice of early redemption ECU 30,000,000

12 1/2 % Bonds 1991 in accordance with paragraph 7 'Redemption and Purchase' of the terms and conditions of the bonds, notice is hereby given that ireland will proceed to the early redemption of the tutal amount of these bonds at 101 per cent on August 12, 1988.

12, 1988 and reimbursement will be made in accordance with the terms interest will cause to accrue on the

BANQUE INTERNATIONALE A

Luxembourg, June 29, 1988

ent of Interest due on August

THE ROYAL BANK OF CANADA US\$350,000,000 Figating Rate Debentures due 2005

ne of the notes is hereby given that period 29th June 1966 -will barry a rate of interest of 84% per annum with coupon

in accordance with the terms and conditions of the Debertures, the interest rate for the period 30th June 1966 to 29th July 1988 has been fixed at 7% per cent per ennum. On 29th July, interest US\$6.34375 per US\$1,000 nom inel amount of the debentures will be ment. The rate of interest for the period commencing 29th July 1988 will be determined on 27th July

ORION ROYAL BANK

LIMITED

Agent Bank and Principal

Paying Agent

Dun 2002

This is notice that June 30, 1986 is the deb which a record of the common atockholder

initially, the Rights will be attached to all eutstanding shares of Common Stock, will not be exercisable and will be transferred with and only with the Common Stock. No Rights certificates will be issued until and unless the Rights separate from the Common Stock and become exercisable, which will occur only under certain ulrounstances, as set forth in the Rights Agreement. The distribution of the Rights will not be taxable to holders of the Common Stock and will sol change the way is which the Common Stock is traded.

Ferrement to the Rights Agreement, all shares of Common Stock issued or delivered and of the treasury of the Company upon conven-aion of the Debentures after June 30, 1966 and before the Rights expire or are redeemed by the Company will be Issued with Rights

TEXAS METRIMENTS INCORPORATED

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le to be talout for the purposes of 8 children distribution of one Signit for each outstanding share of the common stock of the Company (the "Common Stock") at the close of business on June 30, 1980, thowever, for the research set forth to the penultionate paragraph below, it will not be necessary for holders of the Company's 2% (Convertible Subordinated Debentures Due 2002 (the "Debentures") to convert their Deben-tures into Common Stock on or before June 30, 1995 to order to receive Rights.

When exercisable, each Right will entitle the registered holder to purchase one one-hardred of a share (a "Uoit") to Participating Comutative Preferred Stock per value 252 per where, at a cash purchase price of \$200 per Unb cr, in certain circumstances (relating to acquisition has a newson or croup of a bigolificant on, in certain circumstances (releating to acquisi-tion by a person or group of a bigaticant percentage of the Common Stock), shares of the Common Stock or shares of as acquiring com-pacy at a discount from market price, as set forth in the Rights Agreement (the 'Rights Agreement') between the Company and Morgan Shareholder Services Trust Company.

The Flights will expire on June 17, 1958 and may be redeemed by the Company at a redemption price on \$0.01 per Flight at any time' prior to expiration.

3 adjoining buildings with 3500 sq feet commercial space + 2 x 1 bed, all vacant, unmod. flats.
Offers in excess of 1.2m Sole agents Fitzroy 01-258-0010 Ref David Morris SIMPLY



**Art Galleries** 

A.B. ALLEYNE FCA Date: 20 June 1988.

# **Residential Property**

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Telephone: (022).47.93.33, apply Mr. BONNET or Mr. NERFIN.

### **Public Notices**

COMPETITION ACT 1988
NOTICE UNDER SECTION
3(2)(b)
WEST YORKSHIRE ROAD CAR
COMPANY LTD

(1) the conduct of the Company in respect of the turns which it charges on certain routes between Bradford and Sidpton; and

Your letter should errive as soon as pos-sible if it is to be taken into account in the

COMPETITION ACT 1980 NOTICE UNDER SECTION 3(2)(b) SOUTH YORKSHIRE TRANSPORT LIMITED

(1) the conduct of the Company to respect

consider would herp the Director General, please write to: Otice of Fair Tracing, Branch CP1A. Chancery House, 63, Chen-cery Lane, London WC2A 18P.

IN THE MATTER OF: WATERFORD GLASS GROUP PLC

Notice is hereby given that a Petition presented to the High Goart of Ireland on the 20th day of June. 1985 for an order continuing a reduction of the Share Printillens account of the above named Company Irom IRE211,563,000 by IRESE,560,005 in directed to be heard before the High Coart of Ireland on the 18th day of July, 1986 at 11 criticals in the forences at the Four Courts, Ires Coay, Duotie 7.

Signed: Wm. Fry & Sons, Solicitors, Floristion House, Witton Place, Oublin 2.

IN THE MATTER OF.

NO. 00 2027 of 1866 M THE HIGH COURT OF JUSTICE CHANCERY DIVISION

IN THE MATTER OF THE COMPANIES ACT 1865 NOTICE IS MERCETY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 13th June, 1996 confirming the cancellation of the share previous account of the shore-casted Company is the eye of 12,280,000 was registered by the Registrar of Companies on 17th June, 1988.

MY THE MATTER OF

UNDSTRUCT SURGES PLG

Under section 3 of the Competition Act 1990 the Director General of Feir Trading is to investigate whether South Yorkshine Transport Limited (the Computy) has been or be pursuing a course of conduct which amounts to an anti-conspetitive

### Your letter should entire as soon as pos-sible if it in to be taken into account to the smouthy. Legal Notices

1988 No: 4915 CL 5

Dated this 27th day of June, 1988

Loveti White Durrant of 75, Chespeide, London, EC2V SER

1.50 i - . ., . . 

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### **WORLD TRADE NEWS**

# Japanese printer makers slam EC dumping charge

rebuttal note to the Commission claiming that the charges were based on an unfair comparison. Under EC anti-dumping rules, before such charges can be applied, it has to be established that injury has been caused to a European industry. However, the injury must be caused to like

model comparison that was used as the basis for the proof of the injury done to the European

The committee cites several the de cases, including that of the Hone-

JAPAN'S electronic printer makers have denounced as a "gross priced at DM 2.692, being companied with the Brother M1509, anti-dumping charges were assessed against them by the Eoropean Community last at under DM 2.000. It says the Honeywell products are rated as the base of the printer of the printer of the printer of the Epson FX1000 and the Oki at under DM 2.000. It says the Honeywell products are rated as the printer of They have sent a stinging beavy duty machines, lasting ebuttal note to the Commission 7,000 to 9,000 hours and with a head life of 500m characters. The Japanese products are in general intended for personal computers, with a life of 5,000 to 6,000 hours

> The Japanese view is that on whose 1986 complaint the anti-dumping investigation was based, have only themselves to blame for their deteriorating

the vast majority of the EC users should not be set at an exces-sively high level merely to satisfy the desires of a few EC corpora-

### Taiwan spurns US deal as Europeans undercut price

BY BOB KING IN TAIPE!

rejected a US bid involving a However it has decided that major hydroelectric project and has opened the door for the first time for rival tenders from three price of \$87m obtained from an analysis of \$100 to \$100 European suppliers.

The Taiwanese company had agreed to bny the equipment from Chicago Bridge and Iron of the US, as part of its programme to reduce Taiwan's trade surplus with the US.

The contract is for \$100m of equipment for a pumped-storage hydro project at Mingtan, central Taiwan, which will be among the world's largest hydroelectric facilities. These plants use electricity to pump water uphill dur-ing the night when power demand is low, and release the water through turbines when tracts are worth \$100m each.

14

The Japanese printer makers claim that the Commission based its findings on a comparison of the prices of down-market Japanese personal computer printers with those of heavy duty European made printers for maintrame computer systems.

"It is similar to comparing a Rolls Royce with a Fiat Uno," the Committee of Japanese Printers said. "It is our belief that there exists a serious error in the model comparison that was used only themselves to blame for their deteriorating market shares and profits. The hig growth in the market in the past few years has been in machines for personal computer use, and that market continues to grow. In effect, they argue, the EC anti-dumping judgment is attempting to force personal computer users to buy heavy duty machines.

"We feel that printer prices for

"We feel that printer prices for

THE Taiwan Power Company has demand is at its peak.

unnamed European company. Taipower is now to open the bidding to Voest Alpine of Austria, Noell of West Germany, and a Swiss concern, in addition to

Chicago Bridge, The US is vexed at Taipower's rejection, as it is used to winning most large state contracts in

Taipower has also chosen Voight Hydro of the US as its supplier of turbines for the project, although it is still looking at suppliers for motors. These con-

### Easy ride expected for revised US trade bill By Nancy Dunne in Washington

THE US House of Representa-tives is expected to pass by overwhelming margins a 1988-Trade Bill containing tough provisions to force countries with large trade surpluses to open their markets to US

A nearly identical bill drew a presidential veto last month, and the veto was upheld in the Senate. The new bill has been stripped of two provisions to which the president objected, and the White House has promised it will be signed.

Although the President cited

Attaough the Frestners cared several reasons for his veto, his principal objection was to a provision requiring employers to give 60 days' notice before large plants were closed and workers laid off. Under an attachment before plants. agreement between congressio-nal Democrats, the plant closing legislation is now moving through Congress in tandem with the Trade Rill.

There remains little doubt now that the Trade Bill, although much disliked and feared by US trade partners, will become law. Senators Howard Metzenbaum of Ohio and Edward Kennedy of Massachusetts, who could have staged a fillbuster on behalf of the public of the

staged a filibuster on behalf of the plant closing provision, have been satisfied by the deal with the leadership.

Senator Robert Dole, the Republican leader, has said he will try to remove from the hill provisions requiring an international Third World debt relief facility, the establish-ment of a Council on Competi-tiveness and an expansion of ethanol imports.

ethanol imports.

However, Senator Lloyd Bentsen, chairman of the Senate Finance Committee, says he has 70 co-sponsors for the bill as it stands — 10 more than is needed to shut off debate. Democrats are even optimis-

tie about chances of overriding a presidential veto of the plant closing bill. With polls show-ing that more than 80 per cent of the US public is in favour of the legislation, they believe the measure, when not draw-ing the additional fire of the Trade Bill opponents, can attract the two-thirds vote needed for an override.

DEAL WITH POLAND AND ROMANIA FOLLOWS CONDITIONAL CLEARANCE FROM COCOM

# Boeing sells six aircraft to Eastern bloc

BOEING, the US aircraft manufacturer, has received the on condition that the high-techplanes would be serviced by go-ahead for sales of up to six of nology airliners were serviced in the West, the diplomats said.

Cocom cleared the Airbus sales time as Interflug announced the planes would be serviced by Deutsche Lufthansa AG in West Germany. Romania, diplomatic sources said, Reuter reports from Paris. Cocom, which vets all sales of Western technology to the Soviet

bloc, cleared Boeing's application at its regular weekly meeting yesterday.

Boeing applied to sell three of its wide-bodied medium to long-haul 767s to Romania's Tarom

airline and two or three of the aircraft to Poland's LOT line. The decision follows clearance earlier this month for Europe's Airbus Industrie sales of three A-310 jets to East Germany's

### Cuba trade with West in surplus

CUBA registered a \$34.2m trade surplus with its Western trading partners in 1987, largely due to reduced imports caused by foreign reserve shortages, the National Bank of Cuba said in its annual report, AP-DJ reports from Mexico City.

The 1987 trade surplus with the

The 1987 trade surplus with the West reversed Cuba's \$289.3m deficit in 1996, the bank said.

Airbus and Boeing had to apply to Cocom, which groups Japan and all Nato members except Iceland, because the air-

"Boeing's case comes under the same conditions [as Airbus], but when they issue the export licence," one diplomat said.

"Boeing's sales are probably not as advanced as Airbus's were," the diplomat said, noting that the US still had to clear the sales after the Cocom review Boeing officials in Paris had no mediate comment

Airbus signed its formal sales agreement with Interfing last week, only 10 days after Cocom gave its go-shead, at the same

# Taiwan resigned to UK footwear quota

liners in question carry highly-so-phisticated avionics which could

• China has criticised Cocom

regulations as an outdated prod-uct of the Cold War, Reuter reports from Peking.

The International Business newspaper quoted an official of the Ministry of Foreign Economic Relations and Trade as telling

be used to military ends.

another 25 per cent during the first two months of this year. Taiwan's Foreign Trade Board maintains that the import surge into the UK results from trans-shipments through other coun-

tries, and that the UK is not con-trolling such imports. plaint that imports from Taiwan alone during 1987 rose by 35 per cent over the previous year, and

The board adds that it issues

men's agreement" with British manufacturers, but it cannot control UK-bound exports trans-ship ped through other ports.

13 that Cocom's methods and reg-ulations were out of date. The paper quoted the official as saying that in April the Japanese

government searched the premises of two of the companies, and later banned one of them from exporting to China for one

ence the smooth development of

The firms had signed contracts

with China worth \$150m but the goods had not been delivered.

Taiwan believes that a success ful application for relief by Italian footwear makers earlier this
ian footwear makers earlier this
year – which cut imports of
take corrective action, Aer Lin-

### **Aer Lingus** threatens to sue Alitalia

By Michael Donne, Aeros Correspondent, in London

AER LINGUS, the Irish airline, is threatening to sue Alitalia over the Italian state-owned airline's refusal to allow Aer Lingus to carry passengers between Man-chester and Milan.

"China cannot understand this incident, which cannot but influ-Mr Oisin O'Slochru, company secretary of Aer Lingus, says Aer Lingus is entitled to operate on the route, is backed by the Euroeconomic and trade relatioos with China," he said. "We bope Japan will move cautiously and pean Community, and is "bitterly not again make obstacles to these

disappointed
The delay in implementing the route has already cost Aer Lingus more than £300,000.

Under the terms of the EC liberalisation package agreed last December, Aer Lingus gained rights to fly between Manchester and several European cities, including Milan. The Italian authorities opposed the flights. Earlier this month, the EC for-mally decided that Aer Lingus had the right to the Milan route, and declared Italy to be in breach

of the Treaty of Rome.

Mr O'Siochru says that "if the shoes from Taiwan by 40 per gus would expect the Commiscent - will serve as a precedent sion to take the case to the Eurofor the EC

### Blow for BA and Pan Am as Berlin routes are opened to rival airlines

factor of 30 per cent compared

with Pan Am's present 55 per cent on the inner German routes,

Mr Kosel noted. This would mean

Ironically, the impulse to expand the number of carriers in

the lucrative Berlin market was

given by President Ronald Rea-

gan in a speech he gave in the city last year. He called for better

air links between Berlin and the

BA's spokesman in Berlin, Mr Bernd Wietfeld, said the airline would fight to retain its share of

the market. The additional com-

petition could mean reducing the

number of flights on shorter routes between West Berlin and

West Germany.

BY LESLIE COLITT IN BERLIN

THE WESTERN airlines serving lines and TWA to come here," he West Berlin — British Airways said. Carriers will have a seat load may yesterday to the announcement that the Western Allies had approved a massive expansion in air services between West Ger-many and West Berlin.

American Airlines, TWA and a year which he said were unobsidiary were given possential and a distinct an additional 2m passengers a year which he said were unobsidiary were given possential and the said were unobsidiary were given by the said were unobsided to the said were given by t sidiary were given permission by the United States, British and French governments to provide scheduled services between West Berlin and six West German

Together with a new BA ser-vice to Frankfurt from West Berlin and a Pan Am route to Düsseldorf, an extra 4m passenger seats a year would be offered, compared with 6m passenger seats now. Mr Harald Kosel of Pan Am

said the decision would result in reduced market shares by all the sirlines as the Berlin market was stagnant to declining".

"It's crazy for American Air-

however that the airlines might well have difficulty obtaining suf-ficient "slots" to take off and and Munich airports to take full advantage of the new opportuni-

The real surprise was the announcement that Air France and Lufthansa would establish subsidiary to serve West Berlin. Until now air services to the city have been the preserve of carriers of the Western Allies, although Lufthansa has for years unsuccessfully attempted to oper ate flights to Berlin. Lufthansa also wants to open a

joint service with East Germany's Interflug airline between Frankfurt and Leipzig. This how-ever has been held up by the three Western Allies who still control the air space between the about undermining the three air corridors reserved for the Allies between West Berlin and West Germany.

# Base Rate

With effect from Wednesday 29th June, 1988 Co-operative Bank Base Rate changes from 9.00% p.a. to 9.50% p.a.

### 調THE CO-OPERATIVE BANK

Co-operative Bank p.l.c. P.O. Box 101, 1 Balloon St., Manchester M60 4EP. Tel.: 061 832 3456

### NOTICE OF REDEMPTION

### BP MINERALS INTERNATIONAL LIMITED

(formerly Selection Trust Limited) U.S. \$50,000,000 8%% Bonds 1989

NOTICE IS HEREBY GIVEN that pursuant to Condition 5(s) of the Bonds described above (the "Bonds"), and paragraph 3 of the Paying Agency Agreement dated as of July 28, 1977 between Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and BP Minerals International Limited (formerly Selection Trust Limited) (the "Company"), the Company bas elected to and shall redeem on August 1, 1988 (the "Redemption Date") \$5,000,000 principal amount of the Bonds at a redemption price of 100% of the principal amount thereof (the "Redemption Price"), together with accrued interest to the Redemption Date as follows:

OUTSTANDING BONDS OF \$1,000 EACH BEARING THE FOLLOWING DISTINCTIVE NUMBERS ENDING IN ANY OF THE FOLLOWING TWO DIGITS:

00 04 10 13 14 19 22 23 28 30 33 40 50 51 53 58 59 63 75 76 79 \$1 \$7 94 ALSO OUTSTANDING BONDS BEARING THE FOLLOWING NUMBERS:

41566 41656 41766 42066 42366 42666 42666 43766 43266 43366 39366 39466 39766 39866 39966 40266 40966 41066 41266 41366 41466 43666 44166 44266 44466 44566 44866 44866 44866 44866

The Bonds shall become due and payable on the Redemption Date at the Redemption Price, which shall be paid opon presentation and surrender of Bonds together with all appurtenant coupons maturing subsequent to the Redemption Date. Payment will be made in U.S. Dollars,

which shall be paid opon presentation and surrender of Bonds together with all appurtenant coupons maturing subsequent to the Redemption Date. Payment will be made in U.S. Dollars, subject in applicable laws and regulations at the office of the Principal Paying Agent or at the office of any of the paying agents listed below. The coupons for interest due on or before August 1, 1988 should be detached and collected in the usual manner.

The Bonds, or portions thereof, to be redeemed on August 1, 1988 will no longer be outstanding on and after the Redemption Date and interest on the Bonds, or portions thereof, will cease to accrue from and after the Redemption Date and the coupons for such interest shall be void. Any payment made within the United States or transferred to an account maintained by a non-U.S. payee with a hank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8 certifying under penalties of perjury that the payee is not a United States person. Payments made within the United States to con-exempt U.S. payees are reportable to the IRS and those U.S. payees are required to provide to the paying agent an executed IRS Form W-9 certifying under penalties of perjury the payee's tax payer identification number (employee identification number or social security number, as appropriate) to avoid 20% withholding of the payment. Failure to provide a correct taxpayer identification number may also subject a U.S. payee to a penalty of \$50.

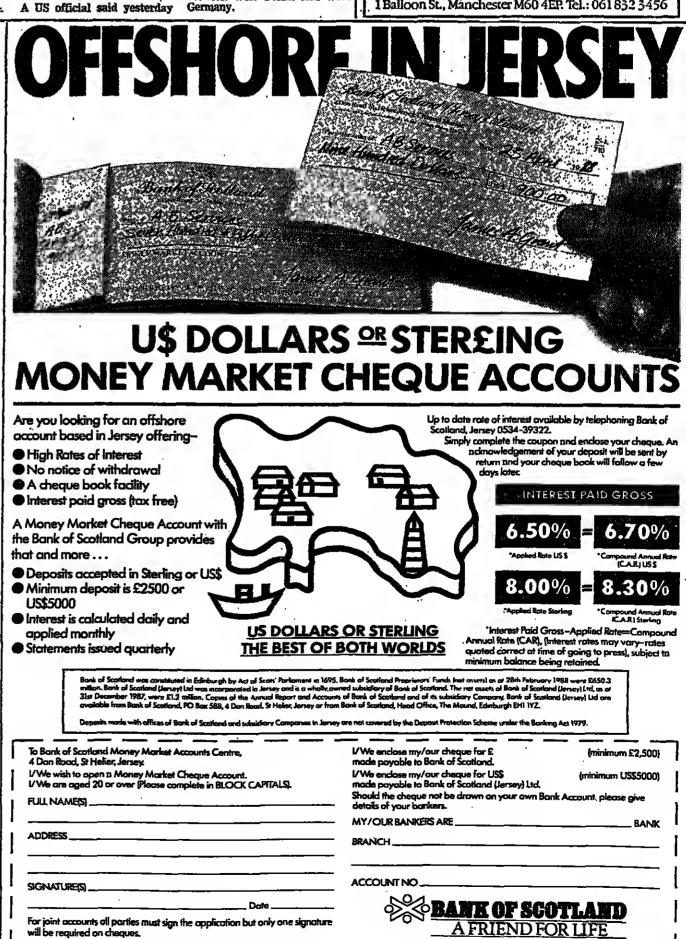
PRINCIPAL PAYING AGENT Morgan Guaranty Trust Company of New York 30 West Broadway New York, New York 10015

PAYING AGENTS Morgan Grenfell & Co. Limited EC2P 2AX, England

Morgan Guaranty Trust Company of New York D-6000 Frankfurt-am-Mair

BP MINERALS INTERNATIONAL LIMITED

Date: June 29, 1988 4452 4461 4465 4469 4472 4474 4369 4372 4374 4378 4382 4393 4396 4496 4501 4502 4515 4526 4529 4532 4593 4596 4601 4602 4615 4882 4415 4426 4429 4432 4545 4552 4561 4565 4569



Bajaj Auto

# Seeking a competitive edge in international markets

John Elliott on the Indian motorcycle maker's strategy in a less protected environment

BY COMMON consent Rahul Vespa designs and then took Party, and a close confidents of rate from production huildings preneurial industrialists and managers. He runs a family common Germany.

Vespa designs and then took Party, and a close confidents of the legal action in 1981 to stop it Mahatma Gendhi, leader of the and is modernising with a Digital Vax 6800 computer, which he called him his "fifth son". Bajaj Auto, which is the world's second largest scooter manufacturer and is regarded as one of India's most efficient engineering businesses.

Two years ago he was chosen by Rajiv Gandhi, the Indian Prime Minister, to become part-time chairman of Indian Airlines, the country's over-stretched and much criticised domestic air carrier. There he has been trying to inject some customer consciousness and staff enthusiasm into a nervous gov-ernment-dominated public sector

Yet despite this managerial record, Bajaj can only find export markets for less than 2 per cent of his company's output, and last year he had to face up to the shock of a poor launch in India of a 100cc motor bike produced with Kawasaki of Japan. The bike was withdrawn. Its gear ratios were reworked for slow Indian roads and other improvements introduced. A few months ago it was successfully relaunched, aided by

a new marketing department. Till then Bajaj had never had, nor needed, formal marketing. "We only had an allocation and despatch department, and needed nothing else. Now I am having to face up to the management issues of coming out of a protected market and a shortage economy," says Bajaj, whose company has provided India with about half the 4m two-wheelers now on the road and now has about 40-43 per cent of the mar-

in the heyday of industrial controls on production levels between the late 1960s and early 1980s, there was a ten-year waiting list for the scooters which fetched a market price 40 to 50 per cent ebove list prices. In the world league, Bajaj Auto, with an annual output of about 520,000 scooters, is second to Honda with 1m. It is the fourth biggest for all two- and threewheeler producers - including its distinctive outo-rickshaws after Honda, Yamaha and Suzuki. Its runner-up in scooters, with 300,000, is Piaggio of Italy, which supplied Bajaj with its original

The marketing lesson stems from the liberalisation of the Indian economy in the past few years, which has opened up the country's first-ever huyers' mar-kets for a rapidly growing con-sumer class of 100m-150m out of a

total 800m population.

But the export problams remain because India's liberalisation is far from complete, and there are still many bureaucratic and other impediments in the way of the sort of quality and price levels needed to sell goods

in international markets.
"I would like to raise my exports from under 2 per cent of production to 15 per cent but for that I need an internationally competitiva product which is exportable," says Bajaj, whose company illustrates the sorts of problem and contradiction faced

Jamnalal demonstrated his devotion to the cause by support-ing Gandhi's promotion of village-made khadi cloth and by hurning thousands of rupees-worth of mill-woven cloth which was regarded as a symbol of Brit-ish-owned business. With the Bir-las, now one of India's two largest private-sector business bouses, Bajaj was the biggest financier of the freedom movement. And members of the family were often in jail.

That sort of family involvement in the freedom movement still brings respect in India today. Rahul Bajaj has interpreted the family tradition by adopting a very simple lifestyle at home, well below his substantial means. When he took over the com-

Now Rahul Bajaj wants to shed his workaholic image a little and he is changing his one-man management style with substantial delegation

by an ambitious outward-looking manufacturer in a traditionally protected developing economy. Problems include stiff govern-ment restrictions on expenditure of foreign exchange for importing capital goods such as machine tools, high cost of horrowing, appalling electric power short-ages, a lack of concern in India about quality and high-priced Indian steel. Together, they are estimated to put net export prices 25 per cent above Japanese lev-

Bajaj, aged 49, belongs to India's rich, famous, and often avaricions Marwari business caste which originated in the western desert state of Rajasthan. But he has an approach which marks him out from this

There are strong family reasons why Bajaj is different. He has what he calls a "family background of ethics, honesty and

tory complex at Arkudi in Pune. tory complex at Arkudi in Pune, where he and his family still live. "My friends say I'm daft but it is my job to motivate and lead and it set one hell of an example to the workers," says Bajaj, adding pragmatically: "Anywey it was the best form of 24-hour-a-day training for my first ten wears."

training for my first ten years."
His three children all went to the local Arkudi school though Bajaj intends that, like he did, his two teenage sons should go abroad and do an MBA course in the US after a couple of years in the company. But they must get into what he regards as one of the best schools - Harvard, MIT or Stanford, plus a couple of other possibles. Twon't let them go to Florida or the University of California – that's for tennis and

Now Bajaj wants to shed his worksholic image a little and be is changing his one-man manage-ment style with substantial delesimplicity." Grandfather Jamna-gation. He is also building up a lal Bajaj was a leading member of new corporate image with the the pre-independence Congress company's first head office sepa-

says is the most powerful yet imported by Indian industry.

What will give me satisfaction is to become a truly international company selling around the world, to become known interna-tionally for quality, technology and low cost — which no Indian engineering company is doing at

"We are very profitable but profits should not be the main objective of the business - that means you just go for short-term profits and so take wrong decisions. Profits are the need of the business; the objective or aim is satisfactorily to meet the needs of customers which leads us to our primary aims of low cost with effective cost control, good quality and technology, and economies of scale of production - and then you get profits anyway." Ha also concentrates oo the field he knows - two wheelers -

industrialists into random invest-"I tell my friends that they are diversifying into positions of weakness by going into products a family business house which they know nothing about with no knowledge or scale of production," he says. "There is a huge market in two wheelers, so why diversify into things we don't nrivate sector with assets of production." diversify into things we don't

and refuses to follow his fellow

Bajaj'a only ambition for a logical diversification has been to acquire the UK Rover group's 40 per cent stake in Ashok Leyland, a south indian truck and bus

However, this was frustrated late last year when the UK interests chose to sell to the controversial and politically-influential Indian-born trading family of Hindujas, who are based in Europe and had no manufacturing experience. Now Bajaj is eye-ing other possible acquisitions in the engineering field.

On labour relations he adopts a rare tough line for India where both legislation and political pressure favour unions and make dismissal almost impossible. He has just won a wage parity labour dispute at a new factory at Aurangabad 250km from Pune share.



Rahal Balaj; although his company is the world's second larges scooler maker, he only exports 2 per cent of output

own figure is lower than it ought

to be. "The Indian market does not need R&D but I do to com-

pete internationally," he says.
Because of his success, he is
finding it increasingly difficult to

buy complete designs from Japa

nese and other companies. He is therefore now purchasing process

engineering and other know-how

such as scooter electronics from

Spain, a three-wheeler body

design from Italy, and fuel effi

ciency research from Queen's University Belfast.

He is also hiring UK manage

ment consultants Coopers and

Lybrand for a 15-month study on

how to get 20 per cent more out-

put from his somewhat untidy production areas, where conven-

tional robot-style automation is

regarded as uneconomic because of India's very low labour costs.

He acknowledges the need for

foreign management know-bow; "On the Kawasaki deal we got

the design and production draw-

ings three years faster than we could have produced them, but the main advantages for us really

was the management input - the

to weed out public sector sick hardly anything on research and industries, he is refusing to take development — about Rs10m a over a government-owned factory called Scooters india till every-though this is a lot for India. agrees that he need only inherit
1,500 of the 3,100 labour force.
Bajal Auto has 16,000 and the second seco

ninth or tenth biggest in India's private sector with assets of Rs9.35bn (£380m), a turnover in 1986-87 of Rs10.74bn and pre-tax profits of Rs1.04bn.

The turnover of Bajaj Auto in 1986-87 was Rs6.08bn, with pre-tax profits of Rs853m, the second highest in the private sector. Because of the Aurangahad lockout, turnover is expected to have fallen to about Rs5.5bn in the year 1987-88 which is just ending, instead of rising to Rs7bn, and profits have also fallen.

After enjoying years of luxury in the Indian market of sbortages, Bajaj is now facing competi-tion from a bost of new Japanese tie-nps, including Yamaha and Suzuki, and Plaggio which has come back in through another Indian company. But despite this, Bajaj aims to produce 1m of India's 1.9m annual production in 1990-91, maintaining his market

But the company is still small Japanese strength is their comin a test case of Ganghi's wish by Japanese standards. It spends moo sense in management.

# Management abstracts

(UK), Winter 87 (13 pages). Identifies the uses to which financial ratios have been put, especially for production, and reviews recent methodologies and the use of statistical models. phy for what is basically a literature review.

inventory, plus back-order cost, against customer service levels; derives a formula which quantifles the trade-off between additional units of inventory over and above economic order quantities and incremental improvements in customer service levels.

What British distributors dislike about manufacturers. D. Shipley in Industrial Marketing Managein Industrial Marketing Manage-ment (US), Aug 87 (10 pages). investigates the relationship between manufacturers of engi-neered products and their distrib-utors; finds that producers have much to gain by cultivating these relationships. Analyses the causes of distributor dissatisfaction and points to many that are easy to resolve in theory, but difficult in practice. Points ont that in the nature of things distributors must be customer- rather than producer-oriented.

Bineprints: designing large-scale management information systems. R.S. Tripp and M.C. Fil-teau in Information and Manage ment (the Netherlands), Sept 87

(16 pages).
Shows how blueprints were used in the development of a massive information system for the US Air Force so as to ease cal design errors, by providing for its design and implementation. parts of the system and how they inter-relate. Describes the analy-sis of the system's intent and objectives, the finalisation of design of each segment, the pro-totyping and implementation. Provides examples of the blueprints that were used to hold the whole thing together.

Corporate leaders in Britain and America. D. Norbus in Journal of International Business Studies

(US), Autumn 87 (18 pages).
Investigates the extent of similarity between 1,708 American senior vice-presidents and 418 British counterparts considered representative of the top manage-ment teams of the largest national companies; finds substantial differences in terms of corporate "grooming" (eg career

The analysis and use of financial areas), educational and domestic ratios. P. Barnes in Journal of experience (marital status; paren-Business Finance & Accounting tal occupation), and in self-concept (aspirations: religiousness).
The (British) author believes his
findings will have significance for companies contemplating involvement in the "other" coun-

and the use of statistical models.

There is an extensive hibliography for what is basically a literature review.

Try.

Silicon Valley's 'new wave' of Europeans. R. Gibb in International Management (UK), Nov 87

An objective analysis to determine finished product inventory.

W.H. Clegg in Industrial Engineering (US), Oct 87 (2½ pages).

Outlines a procedure which determines the relationship between the cost of carrying inventory plus backgrafts cost. ley, it is really a comparison of US v European business methods and attitudes towards entrepreneurialism.

A mission approach to customer profitability analysis. A. Anan-darajan and M. Christopher in International Journal of Physical Distribution & Materials Manage ment (UK), Vol 17 No 7 87 (14

pages).
Discusses the use of customer profitability analysis for assessing the true costs and real profitability of servicing different customer types or market segments; uses the results of a study of four customer types or market segments; diverse companies to review the implementation of a system of customer profitability accounting; considers the deficiencies of traditional accounting systems Advocates the use of a mission approach to analysing costs, is to focus on the ends to which expenditure are related rather than who does the spending pro-vides a framework to illustrate this technique; recommends the adoption of the "avoidable cost" concept which addresses costs that would be avoided if a customer/segment were no longer serviced; demonstrates how it can be developed to provide a system of customer prolitability;

Employees as independent con-tractors. J.C. Bailes & R.L. Emparis in Management Account-ing (US), Oct 87 (4 pages). ITT Rayonier's Northwest For-est Operations division was suf-

fering from excessive costs and was facad with curtailing operations. But they came up with e solution that allowed the company to contract with groups of employees, Known as the 'POD system', it has both reduced costs and improved productivity, while members of a POD benefit from self-supervision and decisionmaking responsibilities.

These abstracts are condensed from the abstracting journels published by Anhar Men-agament publications, Liopead copies of the original existes may be obtained at a cost of \$4 each (including VAT and p + p; cost such order) from Anhar, PO Box 23, Wernbey 14.9 BOJ.

### **TECHNOLOGY**

# Japanese lay software ghost in Paris

Alan Cane examines fundamental changes in the world computing services industry

THE WORLD computing services industry faces an extended period of change, forced by major improvements in technology, powerful new competition from Japan and the Far East and fuelled by high growth rates in virtually every one of its sectors.

This message was emphasised repeatedly at the sixth World Computing Services Congress which closed in Paris last week. Attended by over 500 delegates, it was notable for the fact that the largest national delegation came from Japan, and that US services companies were poorly repre-

Now that the notion that the Japanese cannot write software comparable with Western nations has been finally laid to rest, it is clear that they are taking the business very seriously.

A Japanese Government-spon-

A Japanese Government spon-sored programme to automate the production of software is in the final stages of testing. In turn, Japan's commitment is being taken seriously by competi-tors. Japanese support for the

Congress was taken as encourag-ing, in that it raised the quality of international debate in an event that is often seen as more of a social occasion than a serious exchange of views. But their presence was also seen as a busi-

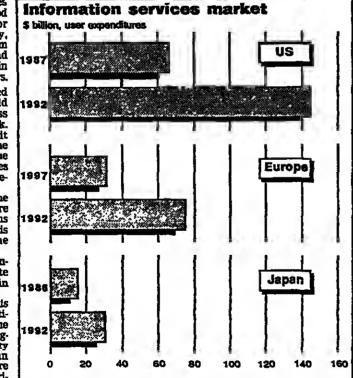
oess threat.

Delegates heard Saburo Chatani of Mitsubishi Electronic Computer Systems say that the Japanese Information Services market was worth \$15.5bn in 1986 and would grow fourfold to \$59bn

It also heard Martyn Thomas, chairman of UK-based Praxis Systems, warn that the software and systems business faced its most severe test in the next few years through technological advances which would place new emphasis on "application specific integrated circuits (ASICs)" – essentially software embedded in

Most current ASICs, he said, were of low complexity, typically below 2,000 "gates" (logic ele-ments), but within five years 500,000 gates would be realistic and 2m gates possible with design times reduced to under three months from concept to

"These advances will destroy much of the market for embedded microprocessor systems," he said "Equivalent systems using ASICs will have lower weight, smaller size, lowar power consumption and lower heat dissipa-tion. Low volume production will



Small companies, he said, could move quickly in the face of these profound changes, but he questioned whether large com-

High growth rates in most sectors are a powerful force for change

puting service companies would survive the 1990s.

Last week, however, the services industry took the first steps to deal with what it sees as a more immediate problem - an acute crisis of identity.

The leaders of the computing services business in 18 separate countries met at the conclusion of the Congress to decide what kinds of organisation should properly be included in their acquisition.

be economic and the resulting systems will be easier to protect with patents than software equivalents."

and boiled down into a common view of the industry, which could then be offered for universal acceptance.

Superficially a trivial matter, defining the computing services business has profound implica-tions for an industry already reckoned to be worth \$100bn a

year worldwide, and growing, by any definition, at about 20 per cent per annum.

Computing services covers a broad range of types of company. There are, for example, software houses specialising in the creation of computer programs, systems integrators, which put together software and computer. hardware to fulfil a customer's data processing requirements, and computer bureaux which sell time on their own computers to

industry. They agreed on a programme in which existing definitions would be collected together

These various sectors do not up of representatives of each of tain the growth of computing sergent times and the participating country's trade vices companies," said Dr tions would be collected together more, although large integrated associations, is the industry's Eyelons.

THIS IS A FAST-MOVING BUSINESS, RIGSBY. A HEW GENERATION OF COMPUTERS HAS BEEN BORN, GROWNUP AND DIED WHILE YOU WERE AT LUNCH



groups have started to emerge — Cap Gemini Sogeti in France, Computer Services Corporation in the US, SD Scienn in the UK most computing services compa-nies are small, often still run by their entrepreneurial founders and fiercely competitive, one

> The immediate problem is an acute crisis of identity

with another. time on their own computers to

The paradox, therefore, is that to spot the trends and draw companies that have either no while these companies are attention to the rapid changes computers of their own or inside responsible for developing many which affect such fundamental

speak with one voice.

Hence the problem of identity.

To date, the boundaries of the industry have been defined chiefly by market research organisations, government statistical departments and the media. Datamation, for example, the leading US data processing maga-

ieaning US data processing maga-zine, places number one in its annual list of computing services companies TRW, a widely diversi-fied engineering and high tech-nology group with interests in space, defence and automotive Is such a company really part of the same industry as, say, Cap Gemini Sogeti, the strength of which is built on its skills in software engineering? Or how should the industry as the strength of the same strength of the same and same and same and same and same as the sa

the industry regard Electronic Data Systems, now part of General Motors. The Datamation list includes Unisys, the third largest compoter manufacturer. But are manufacturers, all of which develop large amounts of soft-ware, part of the computing ser-

Arthur Anderson, the accountancy firm, is also on the Datamatico list. Its presence there is perfectly acceptable in Europe, where accountants bave long been recognised for their skills in computer consultancy, but con-troversial in the US where they are seen as horning in on the legitimate market place of ser-

vice companies.

Does It really matter? Dr Douglas Eyeions, director general of the European Computing Services Association gave a clear answer in a paper delivered at last week's Forum meeting. This explained that because of the lack of precision in definitions it was more difficult to establish accurate statistics for the com-puting services industry than for more traditional business sectors.

"But it is the very dynamic nature of our industry which makes it all the more important computers of their own or manequate processing capacity.

There are also consultancies, which the world's economic and patterns and skills shortages for which advise on computing strational development depends, the purpose of economic planesies, recruitment and training they present little in the way of a ning. And similarly it is necessary to supply accurate and wider issues. leasing companies that manage The WCSI Forum, the group shareholders and financial anathe financial side of computer which met in Paris after last lysts whose business confidence acquisition.

Week's Congress and was made and support is essential to sus-

# WORTH WATCHING Edited by Geoffrey Charlish

Why sky-high view US, of which Wang has 25 per cant, followed by IBM with 17

ANYONE WHO has sat in a window seat in an older air-craft will know the irritation of not being able see through it because of age crazing and scratching of the surface.

is less cloudy

At intervals, these acrylic plastic windows are taken out and re-polished, a labour intensive process costing some \$20 to \$40 per window. Replacement is even more expensive at about \$150 each in material costs alone.

To answer this problem,

EMI-MEC of Chandlers Ford in

the UK. has devised a turning machine which will remove just enough of the window surface to restore it to pristine condition. The process can be completed in about four minntes, and is claimed to be cheaper than re-polishing. It can deal with both sides of

can deal with both sides of seven windows in an hour.

The machina uses a diamond-tipped tool under microprocessor control to giva a mirror-like surface without further polishing.

The accuracy of the automatic process means that windows can be re-processed twice as many times than with repolishing, before the remaining material is too thin to be safe. EMI-MEC believes that savings mean the machine, savings mean the machine, which costs £80,000, will pay for itself in six months.

Less dedication to word processing

THE LATEST Office Systems Industry Report from Datagnest, the US-based technology market research group, pre-dicts the demise of the dedi-cated word processor by 1992 in office text processing and

publishing.
In the US, shipments deteriorated sharply last year to 19,200 units, worth \$124m.
Sales amounted to \$764m in 1986 and had peaked at \$1.6bn

The decline has occurred while the personal computer, able to carry out other tasks as well as word processing, has swept the office text market. Sales are expected to top \$11.6hn this year, having risen from 6.5bn in 1984.

Dataquest notes, however, that there is now a sizeable installed base of 971,000 dedicated word processors in the

cent, followed by IBM with 17 per cent.

The research group believes that during the next five years, these users will actively begin to switch to PCs and other multi-function workstations. "This installed base will be a bettle range with estable." be a battle zone, with estab-lished vendors fighting to pro-tect their own customers from other document management system suppliers trying to make inroads into new territory," says Dataquest."

Danger taken out of tanker operations

AUTRONICA, of Trondheim in AUTRONICA, of Trondheim in Norway, has developed a radio-based tank gauging and information system that can be used for the safe loading and unloading of tankers, or for the supervision of landbased tank farms.

Equipment used in such areas has to be "intrinsically safe", which means that its use safe", which means that its use must not generate sparks that could ignite fuel. To gather data, UK company Oyster Terminals has developed a safe hand-held keypad and display unit. Called the 84C, this is incorporated into the Autronica system.

ica system.

About the size of a hard-backed novel and weighing 800 grams, the terminal is used with a UHF radio transceiver carried by the loadmaster. Every two minutes, data about liquid levels is transmitted from up to 50 tanks and stored in the terminal's memory.

Wherever he is, the loadmas-ter can call up the data on the 80-character liquid crystal dis-play. In addition, he can see how long a tank will take to fill or empty - the terminal having used successive level readings to make the calcula-

Pay-as-you-use paging from Philips

PHILIPS TELECOM has launched a "pay as you use" wide area radio paging service over most of the UK. Customers select the regional boundaries most suited to their businesses and pay for personnel. nesses and pay for paging in these areas only. Users have the choice of three types of pocket paging unit. The simplest emits one of four tone signals which have pre-determined meanings for the user. The second allows two of these messages to be the subject of e numerical display which is nine digits long, while the third can show up to nine messages of words and numbers, which are scrolled across the pager's display

A further recent communications development, from Philips Business Systems group, is an approved "line adaptor module" (LAM). This enables personal computer users to communicate with each other or with a company mainframe, using the existing telephone extension wiring from one of the company's Sopho-S digital private telephone exchanges.

The LAM offers two 64,000 bit per second channels to the international "2B+D" standard that has been laid down for the forthcoming ISDN ser-vices that many countries are planning to introduce.

ISDN (integrated services digital network) allows data and video calls to be made, as well as ordinary phone calls, over the public phone network.

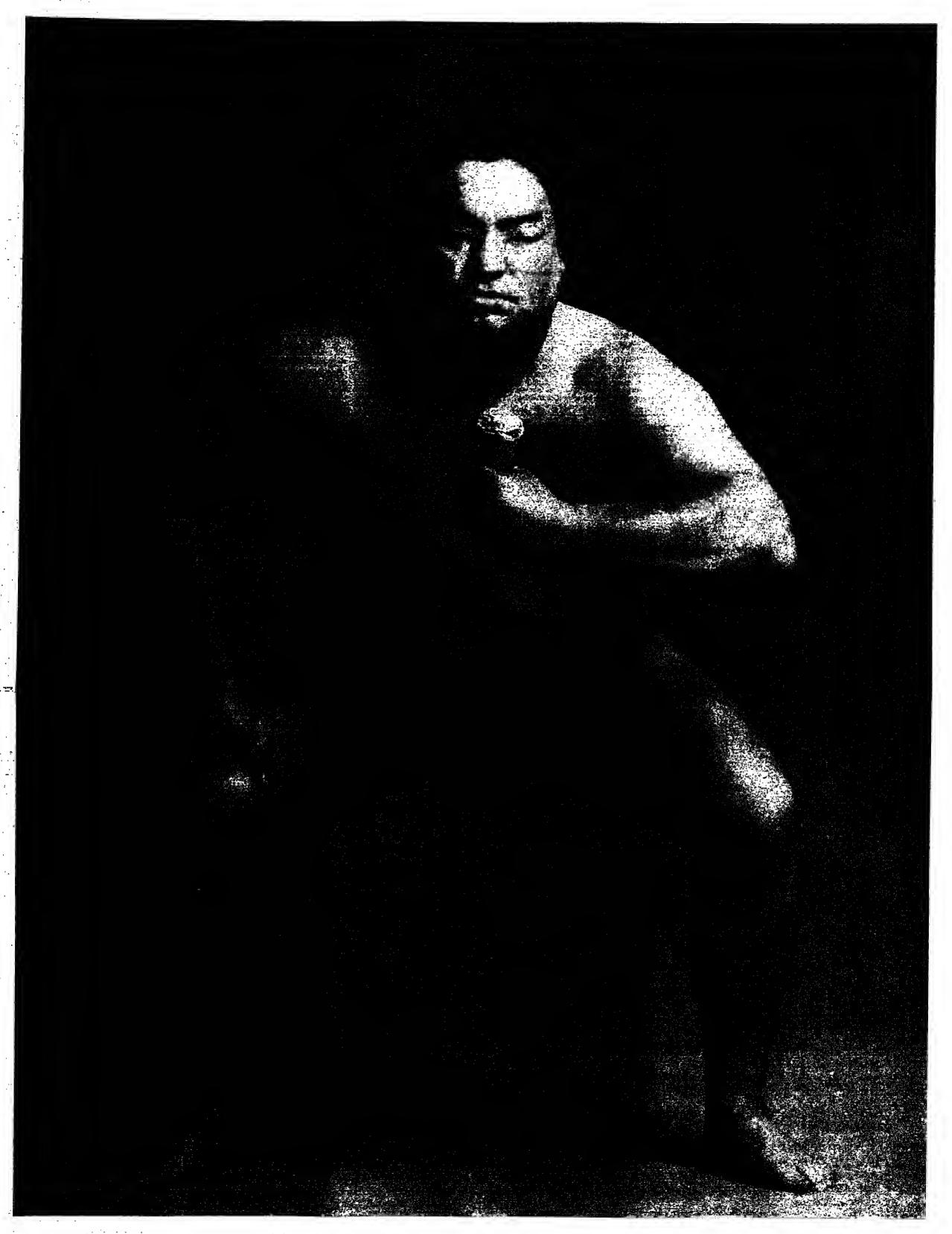
Risk-free test for trading systems

DELTATEK, of Harlow in the UK, is offering equipment which, connected to a London Stock Exchange member's trading system, will make it think it is connected to SEAQ and SEAF (the Stock Exchange's automated quotation and execution services).

Since no real connection is made, this emulator can carry out non-invasive testing of the member's equipment, which, since it commits both trading parties legally, clearly needs to be the subject of very thor-ough testing.

Deltatek claims that other invasive approaches introduce testing software into the trading system itself and can change it, introducing further risks. Also, the new emulator is completely independent of the the company that developed the member's facilities.

EMI-MEC: UK. 6763 287211. Detaquest Los-don, 379 6957. Philips Telecom: UK. 8223 61222. Autromes: Norway, 7 91 8080. Delu-tek: UK, 6279 638659.



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ALLIED LYONS

# Navy 'needs more ships to fulfil even peacetime role'

THE ROYAL NAVY will not be able to fulfil even its peacetime roles unless the Government orders more ships, the House of Commons Defence Committee

warned yesterday. The cross-party committee expressed in a strongly-worded report "the greatest concern" that the fleet of destroyers and frigates might fall significantly below the Government's own target of about 50 ships.

It also warned of the effects present uncertainty was having

on shipyards.

It said it had no evidence that ministers were proposing to approve the level of orders oeeded to check the fleet's decline. If the money were not available, it said, the Govern-ment should not cut other commitments but should set in hand a formal review of the whole

lefence programme. The report comes as a decision is awaited on the number of new Type 23 frigates which are to be ordered for the Navy. Tenders were invited for up to four.

The committee said that although the Ministry of Defence planned to extend the life of the Navy's older ships, 17 more needed to be ordered during the next 6% years to maintain today's level.

Ministry of Defence figures this



only 32 were fully operational. "If the number of destroyers and frigates falls much below its present level, the Royal Navy will not be capable of meeting all the peacetime tasks which it is currently directed to undertake. and we doubt whether it would be of an adequate strength for the wartime roles assigned to it by Nato," the committee warned.

It said the Navy was already overstretched and unable to participate as much as it would like to in Nato exercises. The Armilla patrol sent to safeguard shipping in the Culf was reckoned to occupy 25 per cent of all sea-go-ing time of British destroyers and

month showed a fleet of 47 destroyers and frigates, of which "forward deployment" to contain

enemy forces in the Norwegian many will perform the leading Sea would leave "very limited role in the design of the remoteresources" for other tasks such as protecting Atlantic merchant

shipping.
The committee cited estimates from Mr Malcolm Chalmers, a rrom Mr Malcolm Chalmers, a lecturer at Bradford University's School of Peace Studies, that maintaining a 50-ship force maintaining a 50-ship force including frigate-based helicopters, missiles and support vessels

Britain ended almost would cost £7.5bn over a decade. Indecision two months ago by This would make it the UK's large saying it would join the West

This would make it the UK's largest saying it would join the West stange defence equipment programme over that period. It said, however, that much of the philosophy behind the original 1981 commitment to sustain the level seemed to have been "quietly discarded," without two pressurised laboratories for the pressure of the space station scheme. The UK will contribute \$2.50m of the \$2.50m o being replaced by a coherent use by scientists involved in low-long-term plan.

THE BARLOW CLOWES AFFAIR

# Liechtenstein papers handed over

MR DAVID Mitchell, a Geneva-based chartered accountant, said yesterday that he had handed over to liquidators all the documents from the Liechtenstein-registered companies, which were linked to the collapsed Barlow Clowes finan-cial group and of which he was a director.

UK to insist

on lead role

development

BRITAIN will insist on taking the

eading role in developing a

emote-sensing satellite associ-

ited with an international space

as agency meets to discuss whether Britain or West Ger-

sensing vehicle, which is to be part of an ambitious space sta-tion planned by the US, Western

Britain ended almost a year o

Europe, Canada and Japan.

in satellite

station planned for the 1990s, Mr Kenneth Clarke, Trade and industry Minister, said yesterday. The documents were handed Mr Clarke also said he was over last week in Vaduz, Lie-chtenstein, to Mr Richard Coleunhappy about other schemes being supported by the 13-natico European Space Agency, which he said were "silly" and costly. man of Cork Gully, the London accountancy firm acting as joint liquidator. Mr Clarke made his comments

One company, Tifa, held a big shareholding in James Ferguson Holdings, which became the parent company for the Barlow Clowes group last

Mr Mitchell said that hold-ing had been sold to Sandover Ltd on the instructions of Dr Peter Naylor, a Surrey resi-

tained details about the buying and the selling of a num-ber of companies, Mr Mitchell said.

The Tifa documents con-

But, he added, "there is nothing left, they have all been sold on."

shell and there were no records of previous fiduciary transactions, Mr Mitchell said.

Other documents transferred to Cork Gully by Mr Mitchell

· Chateau d'Auros, the vineyard near Bordeaux owned by

 Northern Properties, a com-pany with Spanish connections • St Bartholomews Investments, a Liberian company whose shares were held in Lie-

According to Mr Mitchell,

Mr Coleman also intended to collect in Vaduz documents from International Securities, a company of which Cork Gully holds bearer shares. Mr Mitchell said that Mr Coleman had told him these shares had been found in a truck parked opposite the offices of Mr Clowes in Poyn-

ton on the day of Mr Clowes Mr Mitchell, who was interviewed here last week by Mr Michael Jordan, a senior part-ner of Cork Gully, helped to set up Barlow Clowes Partners SA in Geneva.

He said he had no further connection with the company

after August 1986. He suggested that the liqui-dators should speak to mem-bers of the staff who had

worked with tha company



Peter Clowes, head of the Barlow Clowes group

# Closure orders raise prospect of negligence claims

against two firms of investment advisers which between them put more than £50m of their clients' money into the Barlow Clowes funds have increased the pros-pects of tha clients of such investment advisory firms mak-ing negligence claims against

The greatest fear of the clients of these firms must be that their claims, if successful, would not

Two advisory firms have so far at an early stage when something Two advisory firms have so far at an early stage when something been closed down by the Financial Intermediaries, Managers and Brokers Regulatory Association (FIMBRA), one of the five apply. The failure to appreciate this point may be evidence of a lower level of expertise and experience than a client has the right in the street from a suppressible proceedings.

Investment and Pensions Advisory Service, which is based in fessional adviser.

Weybridge, Surrey, and D.C. Wil
What other checks and meason and Partners, which is in south Manchester, invested such large amounts of client money in out? the Barlow Clowes Gibraltar fund that there must be doubts on the appointment of a reputa-whether they would be able to bie bank as a trustee in Gibraliar meet all the claims against them to ensure that all the money was either out of their own resources properly invested. or from their professional indemnity insurance policies.

The standard policy suggested securities. by the Insurance Brokers Regishave amended their own policies to ensure that they were covered.

raltar fund. An investment adviser who put 75 per cent of his client's money into one fund will be considered to be under a greater duty of care to investigate the fund's credentials than one who put perhaps 10 per cent of his client's money into the fund.

But even those advisers who put only a small proportion of weeklights and small proportion of weeklights. Some advisers that some sort of income tax saving could be achieved by a UK resident investigation in the fund were almost certainly wrong.

Although most intermediaries gave some warning, however cursory, about the risks of offishere investment, the Investment and Pensions Advisory Service in Weeklights.

But even those advisers who put only a small proportion of put only a small proportion of client money into the Barlow Clowes funds will have to show that they made some check to verify the claims of Mr Peter Clowes that the money was being invested entirely in gilt-edged securities or other deposits with a similarly low risk.

They claim that the interest raid out to investors was always.

paid out to investors was always prompt and accurate and that they detected no other faults of were given confirmation by stockbroking firms that they had executed gilt-edged transactions on behalf of the funds.

The segregation of clients accounts from those of the Bar-

low Clowes company was also an

advisers in the Barlow Clowes affair

Clive Wolman

assesses the

position of investment

What other checks and mea-sures should - or could - the investment advisers have carried

. First, they could have insisted-

Second, they could have insisted on a closer scrutiny of the accounts and of Stock policies that these two firms hold. Exchange contract notes and cer-actually cover the type of invest-tificates to establish the relationactually cover the type of invest-tificates to establish the relation-ment that was made in Barlow ship between the indiow of money and its investment in gilt-edg

Third, they might have been tration Council appears not to more sceptical about the ability cover investment in a gilt-edged of at least the Gibraltar operation to achieve the returns that it was or in a fund which purported quoting after dealing costs, man-to be investing in gilt-edged secu-agement charges and commis-rities – although they ought to sions to intermediaries were taken into account.

Neither firm was prepared to comment last week.

Fourth, they should have given a warning to the cheat of the risks of offshore investment, and comment last week.

The two firms are more vulnerable to legal action because of the to locate the fund outside the protection of the UK regulators.

The suggestions accepted by

placed with Barlow Clowes' Gib-raltar fund. An investment some advisers that some sort of

Weybridge gave no hint of the risks and actually wrote in its client literature: "Whether administered in London or Gibraitar your investment is secure."
Finally, they should have disclosed any large commissions and other inducements that they

received for recommending Barlow Clowes. On the face of it, the Barlow Clowes commission payments were not out of line with the administration. They say that industry norm. In fact, some advisers say that they checked on Mr Clowes' reputation in the City of London, and only 1 per cent commission for only I per cent commission for putting clients' money into the Gibraltar fund whereas a normal gilt-edged unit trust, supervis by the Trade and Industry Department, pays 3 per cent (as did the Barlow Clowes UK fund).

low Clowes company was also an important factor in reassuring received other inducements or to several advisers.

But in previous cases in which investment companies have become insolvent, the protection of segregated accounts has been shown to be illusory.

The several advisers are the several corner inducements or to have had other business relationships with Mr Clowes. Mr Desmond Wilson, of D.C. Wilson and Partners, was involved in a joint venture with Mr Clowes to sell investment. investment products to expatri-The mingling of such accounts ates and his son worked for Barlow Clowes.

### Correction **International Trust Company**

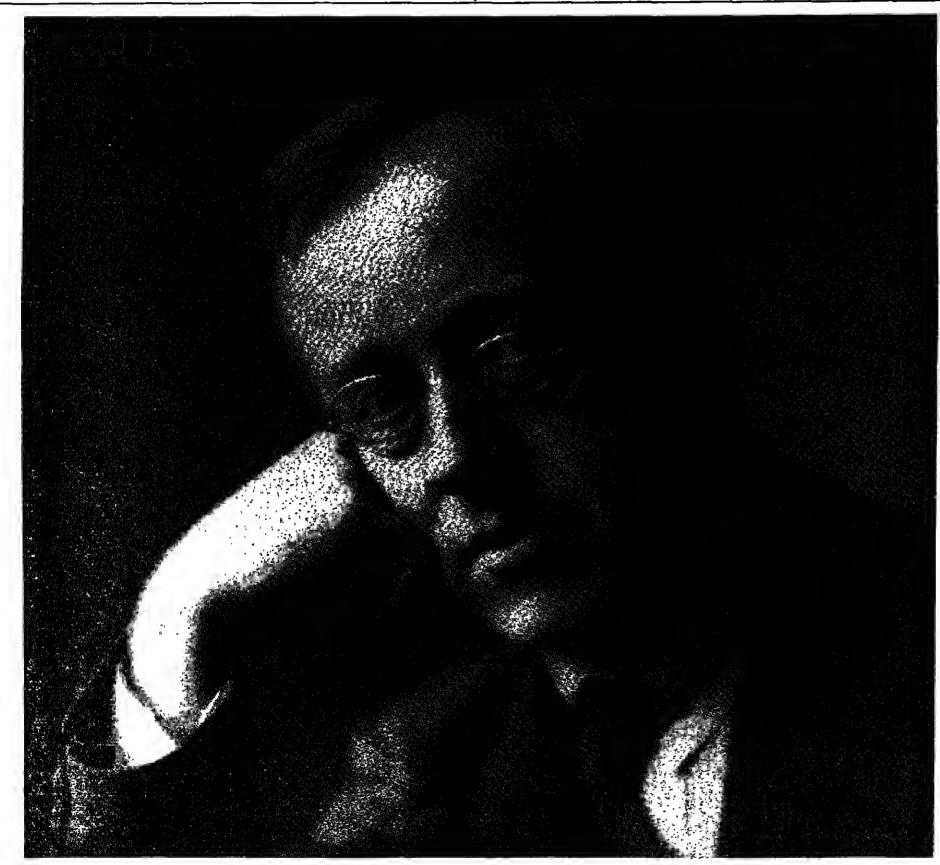
IN AN article in the Financial International Trust Company) Times of June 17 it was incor- run by Mr Peter Henwood in the rectly stated that International Isle of Man

Trust Company (British Virgin Islands) is registered as the owner of international Trust Corporation (wrongly described as Isle of Man company.

Have your F.T. hand delivered at no extra charge, if you work in the business centres of Ankara, Adana, Adapazari, Antalya, Bursa, Eskisehir, Istanbul, Izmir, Kayseri, Kibris, Kocaeli, Manisa, Mersin, Samsun, Trabzon © Istanbul 5120190/10 lines

Aod ask Özkan Sisman for details.

FINANCIAL TIMES



# What Holst did for the planets we're doing for the office.



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Arms groups

be given an extra £1bn to export

credit support from the Govern-ment to help them win more overseas business.

The support takes the form of special anthorisation for the Export Credits Guarantee Depart-

Mr Alan Clark, Trade Minister, said the arrangements will help defence companies at a time of

fierce competition." Exports of

defence equipment run at around £3.50n a year, giving Britain a 12 per cent share of the world market and placing it third among arms world exporters after the US and Soviet Union.

The two main meriests for UK

The two main markets for UK fence sales are the US and Aus-

tralia, for which export credit cover is not normally sought. Problems can arise, however,

when large orders are placed by countries where the ECGD nor-mally has only small underwrit-

ing capacity.

A potential beneficiary of the scheme is Jordan, for which the

ECGD routinely provides small amounts of export credit cover. The Middle Eastern country has

been considering ordering Tor-nado fighter aircraft made by

British Aerospace with its Ger-man and Italian partners.

limited

given £1bn

# Lending rates rise fourth time in month to 9.5%

BY PHILIP STEPHENS AND PETER RIDDELL

THE GOVERNMENT yesterday pushed up the cost of borrowing for the fourth time this mouth, signalling a ½ percentage point rise in banks' base lending rates to 9½ per cent in response to Monday's news of a massive increase in Britain's trade deficit. increase in Britain's trade deficit.

The rise, announced by commercial banks after a lead from

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the Bank of England, is expected to trigger higher mortgage rates in coming weeks. Building societies, however, indicated that they were not under immediate pressure to increase rates because of record inflows from depositors.

Mrs Margaret Thatcher, the Prime Minister, said that the news of a worst-ever £1.2bn deficit on the current account of Britain's balance of payments to May had been "very disappoining". Speaking at the end of the European Community summit in Hanover she indicated that the rise in borrowing costs demonstrated. rise in borrowing costs demonstrated the Government's resolve not to allow it to translate into higher inflation.

News of the latest increase was received at Westminster with some apprehension on the Conservative side and sharp criticism from the opposition.

London's financial markets

appeared unconvinced that n half-point rise would be enough to curb the runaway pace of demand in the economy behind the deteriorating trade position, particularly as the tax cuts announced in the budget have

announced in the budget nave now begun to boost pay packets.

After rising strongly at first in anticipation of a 1 point rise in base rates, sterling fell back from the day's highs after the Bank of England's signal. The failure of readily financed by overseas readily financed by overseas

The DSA survey, published yesterday, estimates that the total of independent, self-am-

**UK Banks' Base** Rate (%) sustainable. It is now widely accepted in Whitehall that the

tion to reverse sentiment towards the dollar and expectations of an imminent rise in West German borrowing costs also encouraged market speculation that a further rise in borrowing costs may be needed to contain inflation.

The Treasury, however, pointed out that the 2 percentage points increase in interest rates since the beginning of this month represented a significant tighten-ing of policy. It also indicated that it was anxious to maintain the recent trend of confining moves in borrowing costs to a 1/2

Interest rates have moved an umprecedented 12 times over the last year, and 11 of those shifts have been of 1/2 point.

The DSA survey, published start-ups, "most of which were accounted for £271m of the sales, yesterday, estimates that the total of independent, self-amployed salespeople has now risen believe our industry is playing a totalled £142m

**LA MONTEDISON** 

extra cover for exports Mrs Thatcher's comments, however, revealed private official concerns that pace of deteriora-tion in the current account is not RIG DEFENCE contractors are to

current account deficit for this year is likely to be twice the £4bn forecast by the Treasury only 2% months ago.

At Westminister there was no feeling of crisis, or expectation of ment to provide export credit guarantees on large defence orders to countries where the availability of cover is normally any summer package, but Tory MPs have become more concerned about signs of a pick-up in inflation. Consequently, many MPs believe that further

es to interest rates may be

In the House of Commons, Mr Neil Kinnock, the Labour leader, asked: "If everything is going so well why are interest rates going up?." Earlier, Mr Gordon Brown, Labour's Shadow Chief Secretary, and the ways "the result of a Climater and the control of the Con said, it was "the mark of a Chan-cellor who has lost his way that yesterday we had the worst trade figures and today we have the seventh interest rate change since the budget". The price of the budget tax cuts would be higher mortgage rates in coming

Deputizing for the Prime Minis-ter and clearly reading from a prepared brief, Mr John Wake-ham emphasised that control of inflation was paramount and that the tightening of monetary condi-tions was in line with earlier

It also sought to distance the base rate move from the trade figures; repeating the official wiew that the current account posed no particular problem for the economy as long as it was points higher et 75.1 but well readily financed by overseas investors.

Actions.

In financial markets, sterling closed at \$1.7190, up from \$1.7030 on Monday and gained 1.25 pfenings against the D-Mark to end at 3.11. The sterling index was 0.3 points higher et 75.1 but well below the high of 75.5 just before the Pank's granture experiments.

country limit on Jordan, making it difficult for non-defence exportthe Rank's announcement. ers to secure cover. Mr Clark said the new anthorsation would exempt the ECGD Consumer goods sales 'up 13%' from neither its normal under-writing criteria nor its aim of operating at no long-term cost to SALES OF consumer goods in the home rose by 13 per cent to \$85,000, some 52,300 of whom the home rose by 13 per cent to are full-time.

Mr Richard Berry, DSA direction, said the industry represented 250,000 small business ladies' and children's clothing

taxpayers.
Countries facing economic difficulties such as have rendered them ineligible for export credit cover will not be able to claim from the scheme, Ministerial approval will be required for all tions in ECGD's accounts.

### Foreign Office charts peaceful routes for British tourists

IN AN effort to salvage the remnants of Britain's reputa-tion abroad after the recent bout of football hooliganism in West Germany, the Foreign Office yesterday launched a series of TV shorts giving advice to British travellers

abroad.

Produced by the Central
Office of Information at a cost
of £150,000 on the theme "Get
it right before you go", the
20-90 seconds films are being
distributed for free transmission to the RRC and indepen-

sion to the RBC and imagen-dent TV companies, in the hope that they will be broad-cast to unsold commercial air-time and other breeks. Although seasoned travel-lers will marvel at the simplic-ity of some of the advice offered – "first make sure you can get back; take enough money; beware of pickpockmoney; beware of pickpock-ets" – Mr Tim Eggar, Parlia-mentary Under-Secretary of State, emphasised that it was State, emphasised that it was all based on experience of the trouble travellers get into.

British tourists, it seems, are more inclined to getting tight, rather than getting it tight, both here and affecting it.

right, both before and after boarding their aircraft to Benidorm, Majorca and the Greek Islands, although Mr Eggar cisims the Spanish authorities have assured him that "they are no worse than anyone else, they are just more numerous." Numerous they certainly will be this year, when 27.5m Brits are expected to roam Europe and other more distant parts of the world, of whom 8m are due to go to Spain alone.

The need for good advice is demonstrated by the fact that the number of British citizens currently languishing in foreign jalls is more than 1,900, an increase of 36 per cent over 1987 Of these about must hind 1987. Of these, about one-third are being held on drug charges (61 per cent in the case of Spain and as much as 74 per cent in France.)
Little wonder that the For-eign Office's "do's and dont's",

together with urging travellers to make sure they have the necessary health and accident insurance before leaving home, put particular emphasis on avoidance of drug offences.

As the TV short points out, you may get away with a years in some European countries for a minor drug offence,

but in Malaysia and Thailand you face e death sentence. The Spanish authorities, for tions", in the words of a much-employed Continental euphemism. "Operacion Ver-ano 88", under which an addi-tional 2,050 police, 1669 civil guards and 130 "specialists" will augment existing forces along the Costa Brava, Costa Blanca, Costa del Sol, Balearic Islands and several airports

including Madrid, will fully enter into force on July I. Although the Foreign Office has set out the conditions under which British consuls can give help, it emphasises that "there's no such thing as a consular magic wand." As a special leaflet points ont, con-suls can issue emergency pass-ports, contact relatives and friends, advise on how to transfer funds and, in a real emergency, advance money egainst a sterling cheque of 250, "supported by a banker's card."

However, they definitely cannot fulfil such typical requests by British tourists as to complain to the French authorities that French motorwey toli machines do not accept British colns, investi-gate why postcards posted in Italy do not arrive in the UK, pay on the spot traffic fines or accept the medical consequences of "picking up barIn Brief

### **Britons** to visit Soviet chemical weapons site

A British team is due to fly to Moscow today for the first visit to Soviet chemical warfare facilities by a delegation from a single western country, writes David

The visit is part of an exchange proposed by the UK two years ago. A Soviet team went in May to Britain's Chemical Defence Establishment at Porton Down Wiltshire. British officials said the Soviet site at Shikhany 500 miles south-east of Moscow, was seen as part of a chemical arms production process, while the UK abandoned its offensive capabil-

ity in the 1950s.

The visits are aimed at building trust while 40 countries pur-sue talks in Geneva on a worldwide ban on development, production end stockpiling of

### Airport profit

Birmingham International Airport, Britain's fifth husiest with 3.07 per cent of the passenger market, ended its first year as a public company with an unexpected pre-tax profit of £2.59m.

### Shipbuilders saie

The Government bopes to sell the rest of British Shipbuilders within the next year, Mr Kenneth Clarke said. The sale of the group's Govan yard on the Clyde to Kvaerner Industrier of Norway was confirmed on Monday.

Microwave TV ciaim Microwave television could supply np to 30 TV channels for between 80 and 90 per cent of people in the UK at modest cost,

ing director of Marconi Communications Systems. Cement price rise Blue Circle, Britain's biggest cement maker, said it was raising

other leading UK groups.

said Mr Andrew Glasgow, manag-

# **BP** raises N Sea oil estimates

BY STEVEN BUTLER

Had this order proceeded BRITISH PETROLEUM said yesbefore the scheme was in place it terday that 8bn barrels of recov-erable oil can still be found in the could have taken up the ECGD's North Sea, equal to nearly half the amount already discovered

> BP's estimate suggests the North Sea to have a longer eco-nomically productive life than is generally forecast. It is also more optimistic than estimetes recently issued by the Depart-ment of Energy, which expects future discoveries of between 2.3bn and 17bn barrels.

BP estimates there to be a 95 deals and they will be entered per cent certainty of there being separately from normal transaction. 2.7bn barrels of oil in a range of probabilities up to a 5 per cent

certainty of there being as much as 17bn barrels. Mr Basil Butler, a managing

director of BP who chairs BP Exploration, said that production of future smaller fields had been made viable by technological advances since the 1986 collapse in oil prices. Mr Butler was more positive

about the prospects for gas dis-coveries. BP estimates 40 trillion (million million) cu ft of future discoveries, compared to the Department of Energy estimates of between 9 and 37 trillion on ft of gas. This is equivalent to 7bn barrels of oil and compares to 65 trillion cu ft of gas discoveries in

demand into the next century. Despite the size of expected oil discoveries, the North Sea was not expected to yield any large new fields of more than 500m barrels. Discoveries of between 100m and 500m barrels were being added annually, however,

Mr Butler said that gas produc

tion was expected to meet UE

because of improved seismic technology and better under-standing of North Sea geology. Mr Butler said that technology had advanced such that offshore fields as small as 5m barrel could be considered profitable, cement prices by £2.65 from Fields of less than 100m barrels August 1 to £46 a tonne after were previously dismissed as rises of about 5 per cent from

# THE WAY YOU SEE EUROPE

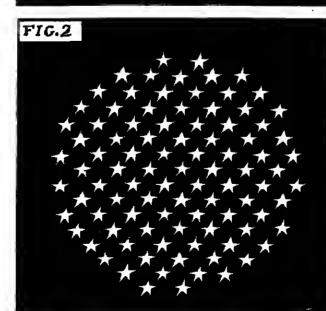
From the outside, Europe can be seen simply as an emerging political entity (see fig. 1). But as most businessmen know, on the inside it's a vibrant economic

DEPENDS ON WHO YOU ARE





community packed with places generating a lot of business (see fig. 2). So if you fly for business we think you should fly with people who fly for the businessman: Air France. With 94 destinations in Europe alone we not only regularly go where everybody else does, but also to places nobody gives a second thought to, until they have to go there. In fact, we fly to more cities in Europe than any other airline. And if that isn't enough incentive for you to



fly with us, fly with us for our service. You'll find that it also rates a few stars.

I THE FINE ART ## OF FLYING AIR FRANCE

S.p.A.—Registered Office: Milan – Foro Buoneparte, 31 Share Capital Lit. 2,704,621,524,000 fully paid up Milan Court, Companies Registry Nr. 355 – Vol. 10 – Section 84 NOTICE TO THE HOLDERS OF MONTEDISON 10% 1985/1992

SPECIAL SERIES SELM/ME.T.A. CONVERTIBLE BONDS

Extension of the period to validly request conversion.

Notice is given that the Board of Directors of Montedison have adopted the following

 the term for the conversion of Montedison 10% 1985-1992 "Special series SELM/ ME.T.A." bonds, previously set for May 31, 1988, is extended to July 31, 1988. Therefore the bondholders have the option until such date to request conversion of bonds with effect from July 1, 1988;

- the bonds can also be converted on July 1 in each of the years 1989 to 1992 through the procedures provided in article 4 of the Terms of the Bonds by making a request

by the month of May preceding the date chosen for conversion.

Bondholders can convert all the bonds they hold upon the presentation of a request for conversion, including those that have become redeemable and non-remunerative as provided by article 6 of the Terms of the Bonds for which redemption was not

The coupons presented separately from the certificate are valid solely for reimbursement of the portion of capital,

- bondholders who have presented the request for conversion during May 1988 have the right to revoke it by giving notice to the appointed bank by July 31, 1988.

It is confirmed that conversion by July 31, 1988 for every 5,000 Montedison 10% 1985-1992 "Special series SELM/ME.T.A." bonds, each with nominal value of Ltt. 1,000 entities the holder to:

n. 810 SELM savings shares, nominal value of Lit. 1,000 each, entitlement date January 1, 1988 (coupon n. 9 and following attached),
n. 64 SELM 7% 1986/1993 convertible bonds with nominal value of Lit. 4,500 each, entitlement date January 1, 1988 (coupon n. 3 and following attached),
n. 402 triziativa ME.T.A. ordinary shares with nominal value Lit, 1,000 each, entitlement date January 1, 1988 (coupon 10 and following),
n. 109 Iniziativa ME.T.A. non-convertible savings shares with nominal value Lit. 1,000 each, entitlement date January 1, 1988 (coupon 8 and following attached),
n. 39 Iniziativa ME.T.A. 7% 1986/1993 convertible bonds with nominal value of Lit. 9,0.00 each, entitlement date January 1, 1988 (coupon n. 2 and following attached). Upon presentation of the request for conversion the bondholder must refund the amount of the subscription price of new securities resulting from transactions by Iniziativa ME.T.A. S.p.A. and SELM S.p.A., increased by the amount of interest accrued from the date of entitlement of the new securities to the date of conversion, net of the value of any fractions of securities exceeding a whole number, as per article 5 of the

Terms of the Bonds. The net amount to be refunded for each certificate of 5,000 bonds of Montedison 10% 1985/1992 "Special series SELM/ME.T.A." is Lit. 3,004,208.

Bondholders are reminded that upon the merger of iniziativa ME.T.A. into Ferruzzi Finanziaria; they will receive as conversion Ferruzzi Finanziaria shares instead of Iniziativa ME.T.A. shares and bonds convertible into Ferruzzi Finanziaria shares instead of Iniziativa ME.T.A. shares in accordance with the exchange ratio published in the Gazzetta Ufficiale n. 32 of February 8, 1988.

The requests for conversion may be presented until July 31, 1988 at the Ufficio Titoli of the Company at Foro Buonaparte 31, Milan, Italy, at the following authorised banks: In Italy: Banca Commerciale Italiana - Banca Nazionale del Lavoro - Banco di Roma - Credito Italiano - Monte Titoli (for securities administered by the latter).

Abroad (commissioned by Italian banks pursuant to the current legislation); In England: Hambros Bank Limited – London In Luxembourg: Kredietbank S.A. – Luxembourg

In Switzerland: Union Bank of Switzerland - Zurich

shareholders are entitled commencing on July 1, 1988.

accompanied by the bonds with coupon n. 6 (expiring on July 1, 1988) and following attached, as well as I to IV attached thereto. The amount of any missing coupons will be charged to the Bondholder. The applicant will be furnished with a copy of the request for conversion in order to collect the securities to which Bondholders are entitled and to exercise any rights to which

MONTEDISON S.p.A.

Coutts & Co.

announce that their

Base Rate

is increased from

9.00% to 9.50% per annum

with effect from the

28th June, 1988

until further notice.

All facilities (including regulated

Courts Base Rate will be varied accordingly.

ter credit agreements) with a rate linked to

### FT LAW REPORTS

COMMISSION OF THE EURO-PEAN COMMUNITIES V UNITED

European Court of Justice (Lord Mackenzie Stuart, President; G Bosco, O Due, JC Moltinho de Almeida and GC Rodreguez Igiesias, Presidents of Chambers; T Koopmans, U Everling, K Bahl-mann, Y Galmot, CN Kakouris, R Joliet, TF O'Higgins and FA Schockweiler, judges): June 21 1988

A PERSON supplied with goods and services in the course of ecoand services in the course of eco-nomic activity is not a "final consumer" for whose benefit transitional exemptions from turnover tax may be applied under EC law; and accordingly, in applying a zero rate of value in applying a zero rate of value added tax to supplies of goods and services to industry, employers, commercial undertakings and construction work other than housing (where the supply is zero-rated for clearly defined social purposes), the UK is in breach of its obligations under the KC Treaty.

the EC Treaty. the RC Treaty.

The European Court of Justice so held when declaring that by continuing to apply a zero rate of VAT to supplies of certain goods and services, insofar as they were not provided to final consumers, the UK had failed to fulfil its EC obligations.

Article 28(2) of Directive 77/388/ EEC of May 17 1977 on the har-monisation of the laws of member states relating to turnover taxes ("the Sixth Directive" pro-. . exemptions . . . in force on December 31 1975, and which satisfy the conditions stated in the last indent of article 17 of the Second Council Directive of April 11 1967, may be maintained until a date which shall be fixed by the Coun-

Article 17 of Directive 67/228/ EEC of April 11 1967 ("the Second

# UK contravenes EC VAT obligations

Directive") provides thet members states may: "provide for . . . exemptions . . . Such measures may only be taken for clearly defined social reasons and for the benefit of the final conformation of the Second Directive, which sumer . . ."

THE COURT said that article 28 of the Sixth Directive laid down for the benefit of the final consumer."

The Commission did not distance that the products of any taxation of the social point of view of any increases in which were particular to schools and hospitals.

The Commission did not distance the UK relied essentially on the negative effects from those products on food prices, the social point of view of any increases in which were particular to schools and hospitals.

The Commission did not distance the UK relied essentially on the negative effects from the social point of view of any increases in which were particular to schools and hospitals.

The Commission did not distance the UK relied essentially on the negative effects from the social point of view of any increases in which were particular to schools and hospitals.

The Commission did not distance the UK relied essentially on the negative effects from the social point of view of any increases in which were particular to schools and hospitals.

The Court did not call point of view of any increases in which were particular to schools and hospitals.

The Court did not call point of view of any increases in which were particular to schools and hospitals.

While the Court did not call into effects from those products of that group the UK's into question the social reasons and for the benefit of the final consumer.

transitional provisions for the final consumer", were not progressive adaptation of met with regard to certain groups national legislation in certain of goods and services included in respects. On the basis of Article 28(2), the UK had continued to apply a system called "zero-ration" was in principle a material control of the final consumer, were not met with regard to certain groups.

Originally Schedule 4 to the Finance Act 1972 contained a list of 17 groups of goods and services which were zero-rated. That list was incorporated almost in its entirety in Schedule 5 to the

entirety in Schedule 5 to the Value Added Tax Act 1983.

The Commission considered that certain of the zero reates provided for by UK legislation did not comply with the criteria in the last indent of article 17 of the Second Directive. On September 4 1984 it delivered a reasoned ber 4 1984 it delivered a reasoned opinion. Since the UK did not comply with that opinion, the sion brought the pres the EC Treaty.

The UK contended there was a

political motive behind the application, which was not e proper basis for an action pursuant to

The argument could not be upheld. In the context of the balance of powers between the insti-tutions laid down in the Treaty. it was not for the Court to consider the objectives. Its role under article 169 was to decide whether the member state had failed to fulfil it obligations as alleged.

ter of political choice for the member states, and could be the subject matter of supervision at Community level only insofar as, by distorting that concept, it led to measures which, because of their effects and true objectives, lay outside its scope.

Under the general scheme of VAT the "final consumer" was the person who acquired goods or services for personal use. "Final consumer" could be applied only to a person who did not use exempted goods or services in the course of economic activity.

The provision of goods or services at a stage higher in the production or distribution chain, production or distribution chain, which was nevertheless sufficiently close to the consumer to be of advantage to him, must also be for the benefit of the final consumer so defined.

The same that

The zero rates at issue were: A. Group 1 - Food (animal feeding stuffs, seeds, live animals yielding or producing food for human consumption).

All those supplies contributed D. Group 7 - Fuel and power. to the production of substances The Commission challenged intended for human consumption the zero-rating of supplies of fuel and were sufficiently close to the final consumer to be of advan-

followed that with regard to the products of that group the UK's alleged failure to fulfill its obligations had not been established.

concerned services provided to tages from zero rating. They industry regarding the emptying of cesspools and septic tanks made necessary by the absence of mains drainage on the one hand, and the supply of water to industry on the other.

In patitive of those cases could

In neither of those cases could the provision of services to indus-try be regarded as fulfilling the second criterion in article 17. since industrial users were not final consumers. The UK's failure to fulfil its obligations in respect of those products and services was therefore established.

C. Group 6 - News services.
The Commission's submissions concerned the supply of news services to undertakings which themselves provided services which were not zero rated, such Since those undertakings could

not be regarded as final consumers, the second criterion in article 17 was not fulfilled. The UK's failure to fulfil its obligations in respect of those services was 17.
therefore established.

and power other than to final

tions had not been established. out that the services were not B. Group 2 - Sewerage services provided for the becefit of final The Commission's submissions derived only very indirect advan-

> was that the difficulties in administering the tax if only supplies to final consumers were zero rated would probably be insurmountable.

If it considered such me could not be implemented, it must refrain from epplying zero rates. The UK's failure to fulfil its obligations was therefore estab-lished.

E. Group 8 - construction of buildings.
The Commission challenged the zero rating of all the items in Group 8 with the exception of local authority housing.

The measures adopted by the UK in order to implement its social policy in housing matters, that is, facilitating home ownership for the whole population, fell within the nurview of "social reasons" for the purposes of article

By applying a zero rate to activities with regard to housing constructed both by local author-ities and by the private sector. the UK had not contravened

However, activities relating to the construction of industrial and commercial buildings and to community and civil engineering works were not for the benefit of

the final consumer.

It followed that the UK had failed to fulfil its obligations insofar as it applied a zero rate to-services in relation to the construction of industrial and commercial buildings, and to commu-nity and civil engineering works. F. Group 17 — Protective boots

The Commission submitted that the supply of those products to employers for the use of employees could not benefit from zero rating. The UK argued they were not part of a production process and the employer must be regarded as final consumer of

In the light of the consider atlons set out above, it must be held that the person to whom those goods were supplied could not be regarded as a final con-somer. The UK's failure to fulfil its obligations in that respect was therefore established.

The Court declared that by continuing to apply e zero rate of VAT to supplies of water and sewerage services to industry, of news services to undertakings such as banks and insurance companies, of fuel and power to non-final consumers, protective boots and helmets to employers and of goods and services for con-struction of industrial and commercial buildings and community and civil engineering works — insofar as those supplies were not provided to final consumers — the UK had contravened the Sixth Directive and had therefore failed to fulfil its obligations under the Treaty.

By Rachel Davies

440 Strand, London, WC2R 0QS **Bank of Scotland** 

BASE RATE

Bank of Scotland

announces that with effect

from Tuesday, 28th June, 1988

its Base Rate has been

increased from

9.00% per annum to 9.50% per annum

A FRIEND FOR LIFE

With effect from the close of business on - Tuesday 28th June 1988 and until further notice, TSB Base rate is increased from 9.00% p.a. to 9.50% p.a.

All facilities (including regulated consumer credit agreements) with a rate of interest linked to TSB Base Rate will be varied accordingly.

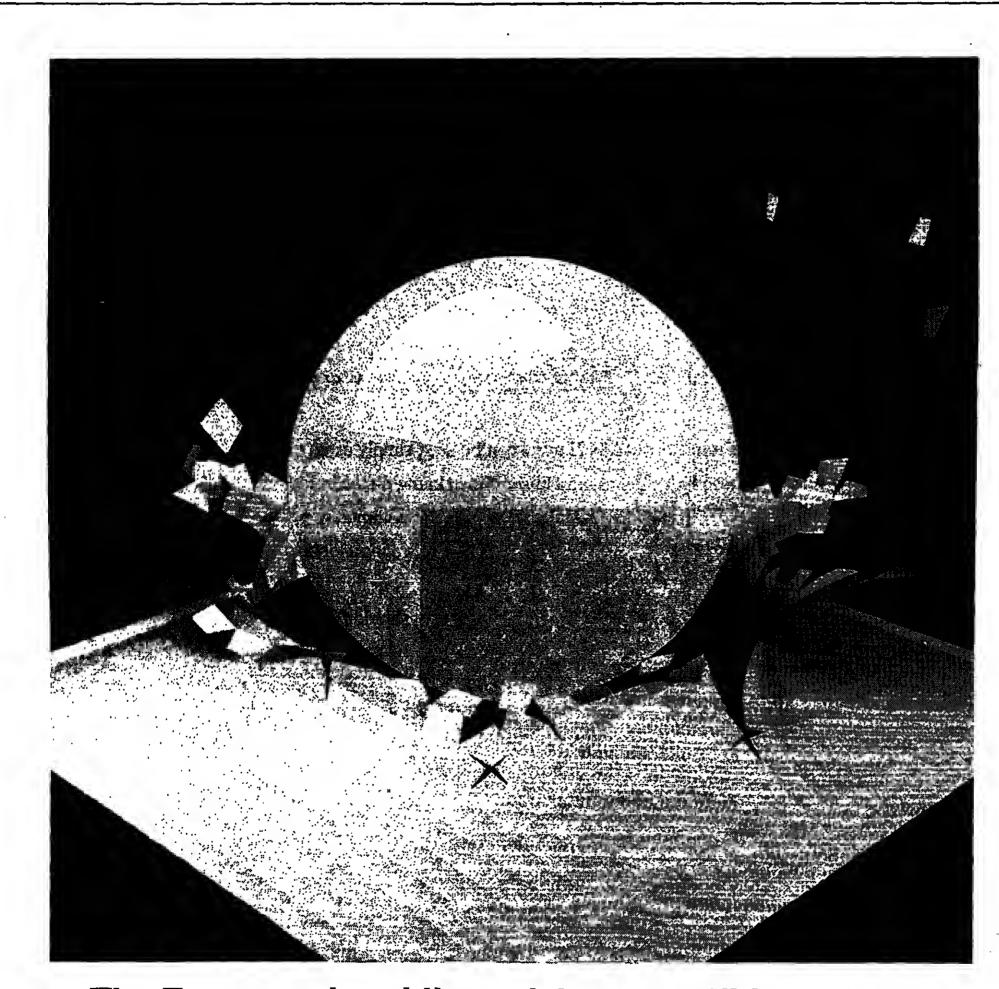
TSB Group plc, 25 Milk Street, London ECZV 8LU.



The Royal Bank of Scotland plc

**Base Rate** 

The Royal Bank of Scotland announces that with effect from close of business on 28 June 1988 its Base Rate for advances will be increased from 9% to 91/2% per annum.



# The European breakthrough in compatible systems.

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# When it's best to promote or recruit outside

SUPPOSE you are chairman of a company which has only just twigged that all its top managers below director-level will retire within a year. After a boardroom debate on how best to fill the posts becoming vacant, your 12 fellow directors vote as follows:

By circtors vote as follows:

By outside recruitment — 6.

You of course have the casting vote. So, apart from firing the head of the manpower planning department, what do you do?

At which juncture, the Jobs column expects you readers will have severally split yourselves into three main groups, two of them smaller than the third.

A few will have a readers will have a representative in a joint venture into three main groups, two of them smaller than the third.

A few will have a readers will have a representative in a joint venture what for a least three with the unit for at least three years. Casis speculates that the proportion of managers and bove-average of the supply of goods and services. One of the gauges hy which the managers are classified is whether they are "insiders" in the sense that they have been boug Cowherd from the business school of Michigan University a column would have severally split yourselves in a joint venture than 150 business units and the Consultants and the Strategic Planning Institute, which they have been shorter.

Oasis has so far gathered and computerised such data on more than 150 business units and their consultants and the Strategic Planning Institute, which they have been shorter.

Oasis has so far gathered and computerised such data on more than 150 business units and their managers, of which some 30 are in the United Kingdom. And at the United Kingdo head of the manpower planning department, what do you do?

At which juncture, the Jobs column expects you readers will have severally split yourselves into three main groups, two of them smaller than the third.

A few will have opted firmly for one or other of the stated options. Another few will favour compromise by way of filling

options. Another rew will rayour compromise by way of filling some proportion of the senior jobs with people already on the payroll and the rest with external

The biggest group will be the wiseacres who have decided you have not been given enough information. Or at least I hope the wiseacres are the biggest group, because that is surely the right rhosts.

onaltc

which a company is composed.

The data collected is detailed enough for each unit to he classified by a wide variety of attributes. They include how far it is headquarters-dominated or autonomous its technology trop it is headquarters-dominated or autonomous, its technology type

- such as flexible automated plant in the case of a unit making electronic controls, and process plant for a commodity the matter, he would say you recommend to the matter, he would say you recommend to the matter, he would say you recommend to the matter.

The data also covers details of among their managers. In broad each unit's top three ranks of terms, the links are as follows.

At the growth stage of the what is meant by "managers" is cycle, businesses with above-

OK then, since you're so clever, answer me this one: What sort of information would give you the best primary guide to making the right decision?

Now here I expect the sort most of you will have opted for is the track records of present appropriately experienced.

Process plant for a commodity the matter, he would say you needed Ossis's data. For it shows that the success of businesses of their product-life cycles or in the stages of their product-life cycles is significantly linked with the balance of insiders and outsiders among their managers. In broad terms, the links are as follows.

methods and political coalitions. But there's a need for caution. "If the hisiness bas gotten highly complex, you can be in trouble if you hand too much power over its running to new people whn aren't acquainted with the subtle details. No matter how good their previous track records were, they won't be able to teach each other things that none of them knows."

Males welcome

NOW to a job which, for the first time I can remember, makes it advisable for me to emphasise Strategy Information Service.

What "Oasis" does (for a price, of course) is a bit complex. It starts by gathering information, not so much on companies, as on the particular "business units" of which a company is composed. The data collected is detailed ennugh for each unit to he classified by a wide variety of attributes. They include how far it is headquarters-dominated or company accounts and the touch of a button, it can be seen which of a button, it can be seen which of a button, it can be seen which of their various traits of "Maturity typically means that things are all pretty stable, are statistically associated with profitability and other measures of effectiveness. Which brings us back to the making good money with what's management in that time is company accountant with Virago Cowherd said. "What makes for good management in that time is company accountant with Virago Cowherd said. "What makes for good management in that time is alwaysable for me to emphasise "Maturity typically means that things are all pretty stable, be welcome. It is the post of including the competition," Doug Cowherd said. "What makes for good management in that time is alwaysable for me to emphasise "Maturity typically means that things are all pretty stable, be welcome. It is the post of management in that time is good management in that time is alwaysable for me to emphasise "Maturity typically means that things are all pretty stable, be welcome. It is the post of management in that time is good management in that time is controlled to making good money with what's cost-cutting, but there's also wonen directors who headed a management buy-out last years' service in the unit.

"Maturity typically means that things are all pretty stable, be welcome. It is the post of management in that time is composed. "On profitably on a size of management in that time is composed. The wonen directors who headed a management buy-out last years' service in the unit. lines etc. It puts a premium on having managers who're deeply running the publishing house's familiar with the detailed ways their plant and workers and customers operate, so they know and procedures. Candidates precisely what they're doing in that specific unit."

benefits for negotiation.

Personal finance

A MANAGER is wanted by Richard Henderson, managing director of City-based Henderson Financial Management, to run and extend its investment and connected services for private clients. Candidates should have demonstrable leadership ability as well as consummate skill and

knowledge in the work involved.

Again no salary is quoted; my estimate is £40,000. Possibility of stock options in addition to usual City-type perks.
Inquiries to 3 Finsbury Ava.
London EC2M 2PA; tel 01-638
5757. fax 01-377 5742.

### Australia

LASTLY down under to a post offered through Dudley Edmunds of the Roger Parker Organisation, who promises that applicants who so request will not be named

to the employer at this stage.

The job, in Sydney, is to lead an Antipodean bank's 20-strong dealing team in foreign exchange, money and products derived therefrom. Candidates should that specific unit."

But when decline sets in, the position switches back. High return on investment is again linked with a preponderance of sets and preponderance of sets a

Pay and perks equivalent to £50,000 £60,000 salary in London. Inquiries to 231 Sboreditch High St., London E1 6PJ; tel 01-247 7632, fax 01-247 1411.

# Corporate **Finance**

U.K. Broker

One of the premier London brokers is continuing to expand its corporate finance group through the addition of two individuals at executive level. They will gain experience, not only of placings and flotations, but also of merger and acquisition

Suitable candidates will have the following backgrounds:

- \* ACA or Solicitor with at least one year's post qualification experience, looking for a first move out of their professions.
- \* Corporate Financier with approximately one year's experience within a merchant bank or

The organisation can offer excellent long term career prospects and financial rewards which fully reflect past experience and future potential.

Contact Lindsay Sugden ACA or Penny Bramah on 01-404 5751, or write to them at Michael Page City, 39-41 Parker Street, London WC2B 5LH.

Michael Page City

International Recruitment Consultants London Paris Amsterdam Brussels Sydney

### **UK PENSION FUND MANAGER**

£40,000 + Benefits

This is a senior position within the Investment Management arm of a large UK insurance Company. Applicants, aged 28-35, will have at least five years' experience managing UK equity denominated pension funds. They should also display strong man-management skills as well as a successful investment record.

This represents an excellent opportunity for career progression and remuneration will be attractive to the successful candidate.

### **CAPITAL MARKETS**

**CORPORATE FINANCE** 

Our client is a leading investment bank with a first class reputation in the international capital markets. We are seeking a junior associate from a comparable firm to act as a support executive to the calling officers, liaising between marketing, product development, swaps and documentation groups.

This is an ideal opportunity for an extremely bright and manerane graduate, aged 23-26, with 1-2 years' capital markets experience, to develop an all-round expertise in a highly professional environment. Calling Officer potential is therein the medium term.

To discuss these positions further, in strictest confidence, or Stnart Clifford on (01) 583 0073 (Day) or (01) 874 9417 (Evenings & Weekends)

16-18 NEW BRIDGE STREET, LONDON EC4V 6AU.

BADENOCH & CLARK RECRUITMENT SPECIALISTS

### **Executive** International

**Corporate Finance** Our client needs a dynamic professional to join their International Corporate Finance Department.

Responsibilities will include marketing a broad range of money market and fixed interest securities to a range of customers, especially Canadian corporates. Advising on financial strategies and opportunities in Canada will be a growing and important responsibility. To achieve this the jobholder will have to advise clients on relevant investment. strategies and liaise closely with the company's sales/ trading desk and corporate finance and banking

Applicants must have a Business degree, a strong command of English and French, and a high level of computer literacy. At least two years' relevant capital markets experience particularly in Euronotes/CDs/Commercial Paper/FRNS/Eurobonds is essential. Candidates will also need a strong working relationship with Canada and Canadian corporates ideally developed through time spent there.

Please apply in writing with fully detailed CV to: R. J. Slamon (Ref FT/22), Vine Potterton Limited, 152/153 Fleet Street, London EC4A 2DH. Please state on a separate sheet if there are any companies to which your application should not be

> VINE POTTERTON RECRUITMENT ADVERTISING

securities registration work in the UK, and will be fully

familiar with the latest developments in the field. Strong

leadership skills and the ability to motivate staff during a

An attractive salary package will be offered for this key

appointment. If you wish to be considered for this position

please write in confidence, enclosing a CV to Douglas

period of growth and change are essential.

Austin, ref. B.7040.

# **FOWARDS EUROPE 1992**

### AGM, CREDIT and MARKETING

£50,000 + generous banking benefits

To meet the exciting challenges presented by the deregulation of financial markets, a major European bank is actively pursuing its strategy of international development. With the rapid growth of its money market dealing and securities trading capacity, an expanding international network and an increasing penetration into corporate banking markets, our client is on target to become a major international competitor. The establishment of a London branch is seen as a significant step towards the achievement of these objectives.

The appointment of an AGM, Credit and Marketing will complete the senior management team. The immediate challenge of the role will be to establish and manage a profitable, controlled customer portfolio. This will entail the development and creative marketing of a wide range of lending and finance related facilities and risk management products, which will be tailored to the demands of a wide client base.

**KPMG** Peat Marwick McLintock

Additional responsibilities will include

9 Creed Lane, London EC4V 5BR

progressively maximising fee income from corporate finance and tax related transactions. The development of appropriate risk management and information systems will form an essential part of the role.

An innovative and highly motivated individual with creative input and strategic vision will be attracted to this position. Candidates, who will be graduates, should be able to offer at least five years banking experience which will include substantial corporate lending experience. Knowledge of a wide range of corporate financial services and products together with a detailed understanding of capital market instruments is essential.

This is an extremely challenging and rewarding position. In addition to an attractive remuneration package, the role can offer real opportunities for personal development and further career success.

Please reply in confidence, enclosing full cv and quoting reference A6114, to Joanna Corr.

### **ECP SALES & TRADING** Prime European Bank

Our Client is one of the world's top 10 banking institutions and a prime trading name.

Current growth plans include the promotion of its eurocommercial paper programmes in the UK and the bank seeks to appoint an experienced individual to spearhead the corporate

Candidates, probably aged 25-32, should possess a successful money market background in sales or trading with a major merchant or international bank. This is a senior appointment with a major banking institution

of substance, and offers considerable scope for career

Contact Norman Philpot in confidence on 01-248 3812

NPA Management Services Ltd 12 Well Court · London EC4M 9DN · Telephone 01-248 3812 3 4 5

established and fast-growing banking group based in London. The company has ambitious plans to extend its

registration services and intends to relocate to larger

A Managing Director is now to be appointed to lead and

direct the management team in the next stages of growth.

The overall responsibility is to develop and implement

plans to achieve agreed objectives, including the

installation of new computerised registration systems and

the move to new premises.

**Managing Director** 

Securities Registration Company

MSL International MSL International (UK) Led, 32 Aybrook Street, London W1M 3 | L.

Our client is the registration subsidiary of a well- The person sought will have had extensive experience in

International Trading Multinational trading firm

based in London seeks individual with proven (6-8 years) experience in International procurement and sales of finished goods and raw materials. Must have signifimaterials. Must have significant facility with trade finance vehicles. Languages, particularly french, considered a plus. Extensive travel in Europe, Middle East and Africa. Excellent compensation and benefits package.

Box No. A0925, Financial Times, 10 Cannon Street, London EC4P 4BY

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for Commodity and **Financial Recruitment** 01-481 3188

rope House, World Trade Centre London ET SAA

# High Profile In A New Opportunity

**Executive Selection and Search** 

C.London

c.£30,000 + Car + Excellent Benefits

Established less than two years ago, this dynamic division is part of a leading institutional investor, with assets running into Ebillions. Their diverse commercial property portfolio is lar UK based, however there are interests in the USA.

This innovative property fund management organisation operates at the leading edge of the industry, resulting in exciting demands being placed upon its new corporate finance function. The need has been identified for a commercially astute, qualified accountant to lead the team through the next successful growth stage. Enjoying an exceptionally high profile within the organisation, you will work alongside the Financial Director.

Your initial brief will include responsibility for the planning of corporate structures for development initiatives, involving devising innovative property financing packages. This will demand close liaison with property final managers, lawyers and on occasion merchant bankers.

Thus, you will need to demonstrate flair and outstanding interpersonal skills, combined with technical competence. Personality is the most important factor for this job, but knowledge of property organisations and US accounting procedures will be advantageous.

Career opportunities abound in this diversifying group. The excellent benefits package includes a car, a mortgage and a non-contributory pension scheme. Relocation assistance is available.

Write, with full CV and daytime telephone number, to Patrick Donnelly, quoting reference FT/024.

314/316 Vauxhall Bridge Road, London SW1V 1AA. Tel: 01-828 2273

We are a medium sized agency stockbroker supported by a modern settlement system and by research services. As part of the planned expansion programme of our Private Client Department have openings for:

2. A salaried fund manager with some attached attractive incentive related bonus scheme.

Please reply in total confidence to: The Finance Partner, Shaw & Co, 4 London Wall Buildings, Blomfield Street. LONDON ECZM ŠŃT

### **ECONOMIST**

International company requires economist with business administration background. The position involves marketing. researching and negotiating international projects.

Please reply to: Box no A0928, Financial Times, 10 Cannon Street, London EC4P 4BY

Small expanding

Stock Exchange member firm seeks members or associates with private client base. Friendly atmnsphere with excellent administration and back up. Please apply for confidential discussinn to Box A0912, Financial Times, 10 Cannon Street, London EC4P 4BY

INDEPENDENT STOCKBROKER

Associates with good quality investment business to operate on a half commission basis. We would consider an arrangement with an associate approaching retirement and seeking a continuing involvement with his clients;

business and who would participate in the firm's

MANAGER SPECIAL FINANCE GROUP Max Age 35

Reporting to the head of special finance group, the manager of special finance will analyse a wide renge of project and asset based financings. Duties will Include client lisison, negotiation of draft terms, credit and documentation. The background for this appointment will be work experience in e benk in e recognized project finence tesm. Accordingly s degree or professional qualification is assential.

Please telephone Elizabeth Haylord on 247 0271

LJC BANKING APPOINTMENTS

Devonshire House, 146 Bishopsgate, EC2M 4JX. 01-377 5040

C. A. L. L. L.

# Legal Officer London SW1

Coates Brothers PLC is an international speciality chemicals group. serving principally the graphic arts and surface coatings industries, with a turnover in excess of £300 million

The Company is entering an exciting new phase in its development and this new appointment is to strengthen the Company Secretarial department based at its Head Office in London. Reporting to the Company Secretary the Legal Officer will be involved in a wide range of activities with particular responsibility for the provision of legal advice to the subsidiary operating companies.

The successful applicant is likely to be late 20s/early 30s, either a solicitor or a Chartered Secretary with a legal qualification, self

motivated with excellent interpersonal skills. The appointment offers the usual benefits associated with a major company including profit sharing and share option schemes. Relocation assistance available if needed.

Please write in confidence enclosing a full CV to: Brian Meadows-Smith, Divisional Director of Personnel, Coates Brothers PLC Cray Avenue, St. Mary Cray, Orpington, Kent BR5 3PP



### **MANAGER Trust Department**

Cayman Islands

c. \$100,000 + tax free

Our Client is a prominent, successful and expanding financial organisation, a subsidiary of one of the world's major international

Current growth plans call for a senior Trust Officer to manage a team of 10 Trust Officers and Administrators, with full responsibility for the department's activities which embrace all aspects of Trust and Private Banking, Mutual Funds, Captive Insurance and Managed

Candidates, probably in the age range 38-45 years, will have a legal or trust qualification and possess a minimum of 10 years' broadlybased experience of trust management. Personal qualities of discretion and initiative are deemed to be essential, as is a strength in man management.

This senior appointment will be supported by a highly competitive tax free salary and benefits package, and offers genuine challenge and opportunity not necessarily confined to the region.

Contact Norman Philpot in confidence on 01-248 3812

# GPA INVESTMENTS LIMITED MANAGING DIRECTOR

GPA Investments Limited is a new London based subsidiary of GPA Group Limited, a financial services company specialising in aircraft asset management.

GPA Investments Limited will identify, negotiate, and manage investment opportunities, primarily in aviation related services outside the group's core businesses.

To lead this new venture, GPA seeks an entrepreneurial executive who can demonstrate a successful and relevant record of achievement.

The remuneration package will be performance related and likely to be worth over £100,000 annually.

Comprehensive applications should be sent in confidence to:

Peter G. Ledbetter, Executive Vice President, GPA Group Limited, GPA House, Shannon, Co. Clare.

# INVESTMENT ANALYST

Attractive salary + choice of car.

Allied Dunbar Asset Management provides a full range of investment management and advisory services to the companies in the highly successful Allied Dunbar Group. Currently, this involves taking responsibility for over £3 billion of UK equity investments. In response to growth and added responsibility, we're building an Equity Management team within our Asset Management function for which we now require two additional members.

A bright and highly capable graduate in economics or similar fmance-related subject, possibly with accountancy training you will provide essential research back-up on all the UK markets to the Fund Managers. This is a unique opportunity to acquire first-hand knowledge of the UK market in both small and large

We also expect that the right candidate will make rapid progress from this research role into the position of full Fund Manager, becoming a key member of the investment team.

Probably aged in your mid 20s, a

minimum of two years' experience in investment analysis, excellent communication skills and a high level of initiative will prove essential. An interest in personal computer applications would also be an asset. Previous experience of the UK market is not a pre-requisite but we're looking for someone who learns fast, has a disciplined approach to analysis and who can become an effective member of the team.

In return, we offer an attractive salary, in the region of £20,000, plus a good package of benefits including a company cat, interest free season ticket loan, BUPA. profit share, non-contributory pension scheme and free

If you have the skills and potential we're looking for please send your CV to Janice Hill. Alternatively, ring orwrite to her for an application form at: Allied Dunbar, 9-15 Sackville Street, Piccadilly, London WIX IDE Tel: 01-434 3211

We are an Equal Opportunities Group. Applications are welcome regardless of sex, marital status, ethnic origin or disability.



# Lateral-thinking Accountants for dynamic £500m retailer -career prospects excellent to £20k Humberside Today's most vibrant retailer offers ambitious Accountants something more than best under a something

more than just variety and challenge - though there's plenty

We've created an environment which encourages innovation and original thinking; one where personal contributions are encouraged, recognised and rewarded with swift career development and genuine senior management responsibility. It's seen us become the clear

leader in the competitive out-oftown electrical sector with a portfolio of 300 stores and a significant contributor to Woolworth Holdings profits. We're looking for Accountants who would flourish in

recisely such an environment to ensure we build on our Achieving our strategic objectives calls for constant Emovation in every aspect of our \$500m business

that boasts sensible house prices, superb countryside and riverside developments, which is well served by road and rail links. So, if you've a couple of years

post-qualifying experience and you like the sound of Cornet, then in the first instance, send career details to:

burne, Financial Director, Comet Group pic, George House, George Hall, Hill 14th, Telephones (0412) 2068:

offering people with drive, ambition and no little professionalism the chance to

growth. It's what makes these roles so satisfying and interesting. In the medium term, we can

opportunities; in the short term, a

assistance to a very pleasant area

make real contributions to

generous salary & benefits package, plus relocation

offer excellent career

MICRO COMPUTERS: £30-35K + CAR + PROFIT SHARING

# COMPANY SECRETARY & LEGAL ADVISOR

Research Machines is a privately-owned, successful high-technology manufacturer with a history of setting challenging abjectives and, more importantly, of meeting them. Our current plans involve major expansion into new oreas, including international morkets, and a campany relocation within the Oxford area.

Because of these significant changes, we need a commercially arientated and creative Legal Officer with the expertise to ensure that we both comply with existing legislation and can meet the challenges arising from any future changes in either the law or our status as a privately-

owned company. Reporting directly to the Board, you will organise main board meetings, and provide information on the impacts of trade legislation on the company's activities. You will also give advice on patenting and cammodity control, always maintaining an awareness of the implications of these for

our profitability and performance. You should be around 30 years old with at least 3-5 years' experience preferably in accounting or possibly in a company secretarial/legal advisory role. Knowledge of COCOM or EAR commodity control agreements is an advantage and familiarity with a technology-based industry preferable. In addition, you should have the maturity to handle significant negotiations and a strong awareness of developments in the fields of finance and morketing.
You'll find considerable scope to demonstrate your drive

and flair. A successful performance will provide the basis for you to broaden your career to cover other oreas of our successful business

Please write with full career details to Sally Poulten, Research Machines, Mill Street, Oxford OX2 0BW.
Research Machines is on equal apportunities employer and vacancies are open to all people irrespective of race, sex and disability.



# Senior Sales

to £70,000 + bonus + benefits

### **Equities**

A major international house seeks to recruit experienced equity salesmen with at least four years' experience in the following areas: \* UK General

\* European General \* France Specialists

Candidates should have established UK client bases and the

confidence to both retain and increase business. **Contact Charles Ritchie** 

Premier US bank is currently looking for several senior multicurrency bond salesmen with client bases in the following

**Bonds** 

\* Germany/Switzerland

The ability to work within established teams is essential and man management skills advantageous. Contact Nick Root

Please telephone on 01-404 5751 or write enclosing full CV to Michael Page City, 39-41 Parker Street, London WC2B 5LH. Confidentiality is assured.

> Michael Page City International Recruitment Consultants London Paris Amsterdam Brussels Sydney

### FINANCE DIRECTOR £50,000-£70,000 P.A.+++ PROPERTY INVESTMENT GROUP

The Company

\* An unquoted PLC with assets of some £50 million

\* Based in Kensington

\* A small but highly motivated team

\* Board Member, reporting to Chairman and Managing Director

\* Responsible for maintaining and expanding Group's banking, merchant banking and institutional contacts

\* Responsible for the financial management of the business

\* Recent involvement in banking and merchant banking at decision making levels

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Applications, with C.V., to: Mrs Madeleine A Cordes, Company Secretary, P O Box 502, London SW7 2BN

# MANAGER, SPECIALIST FINANCE

City

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THE ORGANISATION One of the most significant players in international banking with the commitment to London, financial strength and product range to be successful in a competitive market.

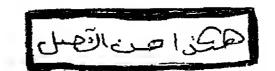
THE ROLE This is a new appointment within the corporate finance area. You will be responsible for managing a team of specialists active in the provision of asset and cash flow backed finance. This is a technically demanding position. It will involve structuring a wide variety of deals including LBO's and MBO's, drawn from a broad range of sectors, including aircraft, property and infrastructure financing. THE PERSON You have gained experience over a number of years within a recognised specialist

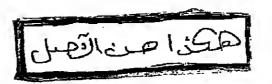
financing unit. You are now looking for an opportunity to bring your technical ability and organisational skills to a major international name that is developing a presence in London. It is likely that you hold a relevant post-graduate qualification. To progress your application for this opportunity please contact in confidence Susan Milford,

Divisional Manager quoting ref CG1206. Management Personnel, 25 City Road, London ECIY 1AA



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PHILLIPS&DREW

### **A Unique Opportunity** in Corporate Finance

Phillips & Drew is one of the City's leading financial institutions. offering a wide range of services to its clients. An opportunity has arisen in Corporate Finance, one of the Company's most rapidly developing areas, for a Manager to join the Investor Relations Team, which provides a continuous service to corporate clients.

You must be a graduate, ideally with an accountancy qualification. You will already have had 2 or 3 years' experience in a senior position with a City institution and must have an understanding of both the UK equity market and corporate finance.

Your responsibilities will cover the key areas of investor relations. market information and company announcements. This will include advising client companies on profit statements and dividend policy, reviewing report and accounts and monitoring share price movements of client companies and their competitors. You will also host investor presentations and meetings.

In return you will receive an excellent compensation package which includes performance bonus, mortgage subsidy, non-contributory pension scheme and BUPA.

Please write, enclosing an up-to-date curriculum vitae to:

Sally Mew, Personnel Officer. Phillips & Drew, 120 Moorgate, London EC2M 6XP

A MEMBER OF THE UNION BANK OF SWITZERLAND GROUP.

# Actuary

### Exercise real influence in specialist pensions

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- Respond to challenge of using actuarial skills in both technical and consulting capacity
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Our client is a wholly owned subsidiary of a long established mutual life assurance company which manages funds of around £3 billion on behalf of more than 300,000 policyholders. This specialist company was established three years ago to provide professional services relating to the establishment and operation of Small Self-Administered Schemes and is recognised by the Inland Revenue as a Pensioner-Trustee. It has grown significantly during the period and currently has over 300 clients.

The job holder, reporting to the Board, will be responsible for all actuarial work within the company. This involves both initial and on-going triennial valuations and the supervision of all calculations, including computerised calculation programmes: A key accountability will be that for developing the financial plans for the business and monitoring progress for reporting to the Board. There is a ...consultancy dimension to the role which involves providing advice to clients and sales staff as well as independent financial advisers.

A suitable candidate will be a qualified actuary who may have spent time with a Consulting Actuaries practice and gained exposure to SSAS, or may currently be with a large organisation and seeking the influence which comes from occurrying a senior role in a smaller company. However, most important is the desire to make a contribution to the development of this specialist business. For further information and a personal history form write or telephone. (24 hours) quoting Ref. 2284/FT

# C Kiddy and Partners

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# UK EQUITY SALES -INSTITUTIONAL

# Long term commitment ... research driven

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Citicorp Scrimgeour Vickers is a research driven house committed to the long term development of its UK institutional equity operations. Our priority is to generate sales through a first class product. And backed by Citicorp's capital resources, the business continues

We are now looking for more

Equity Sales Executives to join our dynamic UK Institutions team. Each Executive will have access to the most prestigious accounts. Each will be able to benefit from the career opportunities available. Each will have the chance to become - and profit from being - a generalist.

years' experience in UK equity sales Hays Lane, London SE1 2QT.

within a quality firm.

Rewards are substantial and dependent upon individual ability. If you have the talent to succeed, we'd like to hear from you. Phone Alan Jones on 01-234 2999 until .8pm tonight or send a full cv to him at Citicorp Scrimgeour Vickers. You will Ideally have at least 2 PO Box 200, Cottons Centre,

# CITICORP SCRIMGEOUR VICKERS

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# WestLB

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Notice to

The London Branch of Westdeutsche Landesbank is seeking a

Senior Marketing Officer

able to contribute to the successful cross selling of a Universal Bank's product range (including international capital market instruments) in the U.K. Corporate, Banking and Financial Institutional sectors.

The successful candidate will have drive and ambition, a firm commitment to professionalism and teamwork, and be open to developing further skills in a changing market.

Ideally, he or she will also be bilingual in German and English.

We are offering good long-term prospects in WestLB's global organisation, and a competitive, negotiable, remuneration package.

Please reply with c.v. including full details of career to The Personnel Manager, Westdeutsche Landesbank, 41 Moorgate, London EC2R 6AE

# **Corporate Finance**

A firmly established Securites House operation, subsidiary of a major International Bank represented in all the main centres. require a person aged mid-fate 20s to join in a combination role of both marketing and supporting specialised services with emphasis on Capital Markets products. The responsibilities require graduate calibre candidates with a minimum two years' elevant experience gained in a Commercial banking situation.

Salary to £30,000 per annum

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A leading European Bank, long established in London and currently undertaking further expansion, require an additional analyst aged up to mid 30s, in order to support increased credit business activity. Candidates will require appropriate training plus relevant experience of corporate credit analysis and can be confident that potential will be recognised to provide opportunity for career progression.

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RECRUITMENT CONSULTANTS Gordon Brown



### Company

Portiolio Administration Limited (PAL) enables stockbrokers and Investment Managers to run private clients' business highly profitably. Portfolios are managed on a discretionary basis in a pooled nomines environment and we provide a flexible administration service to maintain and report on individual private clients' positions and emittements. We have 25 customers, 50 staff and have been in business aimost 20 years. As our service helps to create substantial profit without capital expenditure, our expansion potential is considerable.

### Job

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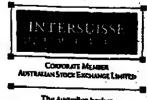
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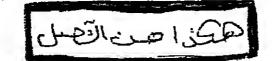
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### Television/Christopher Dunkley

# Changes on the air for British journalism

British television journalism is moving towards a revolution the pilke of which has not been seen in the history of British broadcasting I am not referring to the technical advances and Thatcherite manning policies which make such a dramatic difference to the collection of news and current affairs material. They have eem dominated for involving already occurred. (A news crew tristing my house recently to record an interview an hour ahead of the main evening bulletin comprised lighting-cameraman, sound man, and interviewer/director: three, where eight or nine would have arrived only a year of so ago.)

Nor am f referring to the fact that the new transmission technologies are going to cause a high more seen whether the nologies are going to cause a high more seen affairs and the terminal sand there four months and current affairs available, though that is cortafoly medici.

eight or nine would have arrived only a year or so ago.)

Nor am f referring to the fact that the new transmission technologies are going to cause a hig increase in the quantity of news and current affairs available, though that is certainly predictable. That will happen whoever the successful channel operators the successful channel operators are, whatever transmission system they use, and however large the proportion of gama shows, soap operas, sport and pop music they offer there will still be a major expansion in television

and of expansion in television journalism between now and 2000 AD fust 4,202 days away).

But even if nobody had ever invented video or ENG, satellite or cahle, DBS or D-MAC, we would still be looking forward to a prophism in television in the prophism of the prophism of the prophism in the prophism of the prophism in the prophism i a revolution in television journalism for two other reasons. First, the BBC's new broom: Deputy. Director-General John Birt may have relinquished his title as Head of News and Current Affairs in favour of his deputy, Ron Neil, but that will presumably make little difference to the great Five Year Plan. This provides for a £100m pur-

1415

pose-built HQ for BBC journalism at White City, bringing together BBC news and current affairs for the first time; an extra £62m to

While the BBC is aiming for more research and analysis Channel 4's Network 7 maybe the blueprint for the future

whether the BBC's journalism is detail.

The series is Network 7; it was cannabis. (Astonishingly and depressingly the majority supported her.)

The series is Network 7; it was cannabis. (Astonishingly and depressingly the majority supported her.)

The series is Network 7; it was cannabis. (Astonishingly and depressingly the majority supported her.)

The programme has gained most not for punchy programme, covering the sort of subject which used to be the preserve of World In Action.

Last week's edition, on Westminster Council's handling of the homeless, and the "intentionally homeless," was an exemplary plece of observational journalism.

So, too, was this week's Panoruma in which David 1.

Its main target is clearly the some to the police for possessing cannabis. (Astonishingly and depressingly the majority supported her.)

The series is Network 7; it was cannabis. (Astonishingly and depressingly the majority supported her.)

The programme has gained most notaciety, however, not for transmitted, is Charles Parsons. It lasts two hours, is broadcast live with numerous recorded here.)

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feel like a WEA lecture now looks hunger for and a belief in the observe events but to create unfair, though the output during need for, something new. Here them. The desert-island stunt is we do have an example already one, observing guines-pig volunjustify the comment at the time.

I understand it may be two years or more before all the new regular specialised programmes are on the air, and until we see those it will be difficult to decide whether the BBC's journalism is

plece of observational journalism.

So, too, was this week's Panoruma in which David Lomax
presented a conventional and
admirably heid report and the

Network 7 has its strengths. Its deeply personal interviews with people such as Stephen Fry and Ruby Wax, in "Room 113," are the most frank since Freeman's Face To Face in the late fifties. Its fashion coverage, using mini film-features and then returning to freeze frame on individual items, is (to me, anyway) wholly original. Its discussions on ethi-cal matters sometimes have the freshness which only youth can

Yet it would be a disaster if this series really were to be taken as a model for television's new journalism. The flashy appearance has the same ad-land attracance has the same an-land auraction as the underground press of the sixties — and precisely similar drawbacks. Lemon printing on tangerine paper may make a pretty impression but you cannot read it: communication quotient, nil. The vivacity and pace of Network 7 may feel fine, but good journalism can never be achieved by production techniques. by production techniques, no matter how original, it comes solely from good journalists.

The journalism in Network 7 is shattered into such tiny pieces (the effect of grasshopper minds, or part of the cause?) that its quality is hard to judge. But when you finally tie it down nearly all of it suffers from backneyed thinking. That the captions this week habitually misspelled "refrigerator" and "Thomson" is ominous but less important than the superficiality which characterised the coverage of the LA gangs and the Northern Ireland question. The journalism in Network 7 is Ireland question.

There is going to be a huge increase in television journalism in the next decade, and doubtless much of it will be "tabloid." But those, young and old, who look to television journalism for more than a creational human contractional human contractions. the first time; an extra £52m to oruma in which David Lomax young, presumably from about £4 much for conveying information than an emotional buzz or an to 24, and its presentation, by an (they are frequently removed admirably incid report on the establishment of new specialist way the market economy is and furious. It is musual for stylistic device. Given the British their licence fees paid in the hope units covering politics, social spreading concrete across the items to last more than five min-



**Gwyneth Jones** 

### Elektra/Covent Garden

**Max Loppert** 

The drab old Covent Garden pro-duction of Strauss's greatest ous a gift, is here a great one. opera, now in its 35th year of this is a woman teetering on a existence, has returned for a final revival. (In two years' time Götz Friedrich's new production will be unveiled.) It is strange indeed that this banal setting should have provided the backdrop to so many of the very finest entries in the house's postwar annals; and Monday's *Elektra*, a vehicle for some splendid accounts of the opera's leading roles, added a noble final chapter to the strange tale. Or perhaps not so strange -some would say that performers vocally equipped for and pos-sessed by their roles is all the opera really needs. There is cer-tainly material to lend weight to

that conviction here. Gwyneth Jones, who has grad-uated through the ranks of this production, from one of the serv-ing-women via Chrysothemis to the title role, makes Electra per-haps the most riterly compelling of all her many Royal Opera per-

fine line between sanity and madness, swept away in the end by the dance of death that always threatened to invade her senses.

The vulnerability and warmth ache beneath the battered surface, and their revelation is almost too painful to bear. The singing hasn't the spear-point brilliance of Nilsson's nor the absolute security of Amy Shuard's at her well-remembered Shuard's at her well-remembered best. Phrases are regularly bro-ken for breaths, and notes too impetnously taken indder and wobble, but the grandeur and selflessness of Dame Gwyneth's dramatic perceptious make the imperfections easy to bear, and come of Strange's most tidel-gray some of Strauss's most tidal-wave phrases - "Der ist selig, der seine Tat zu tun kommt" is one

For this magnificent Electra alone, which had the whoie house on a roor at the curtain formances. She is a singer and an alone, which had the whois actress in thrall, and it keeps house on a roar at the curtain hold on her, and us, from first wild stare to last frenzied dance. The willingness to give absotine revival than simply the title lutely everything to a part, which

sucb - roll out with thrilling

quondam Royal Opera Chrysoth emis) sings Clytemnestra with darkly alarming beauty of tone, and seems to preserve the glimmers of a great physical beauty in her demeanonr, in spite of fearful lurches and tremors. A family's intimate knowledge of each of its members' deepest secrets is one of the things this opera is most terrifyingly "about;" and the confrontation between mother and daughter was here intimate as well as ter-

rifying. Willard White's first London Orestes had great nobility and distinction of voice and manner - the forthcoming Wotan in Glasgow is greatly tooked forward to. The Chrysothemis, Ruth Falcon, was less vivid, as is the fate of many Chrysothemises (Miss Falcon's words lack sharp-ness), hnt the strahlend, full-blown quality of the tone was just right. The conductor, Gerd Albrecht, is an anthoritative Elektra conductor rather than an inspired one - no great revela-tions of colour and detail emerge from the pit, but the singers are excellently supported, and it is the singers who lend this performance its burst of glory,

### Eyre's plans for the National

Richard Eyre, the incoming Pinter; a revival of Wesker's director of the (Royal) National Roots, which will be seen in Theatre, publicly launched his schools; and David Mamet's first season yesterday, with Broadway hit Speed-the-Plow,

Indeed this week the NT discovered that it might not get its promised 2 per cent increases on its current Arts Council grant of £7.8m over the next two years. If this happens, and if box office three plays in the repertoire at three plays in the repertoire at three plays in the repertoire at the programme may be cut back.

It is quite a bold assembly of plays. Eyre's dramatic principle is "the expressiveness of theatre" overtly commercial.

It will also be home to visiting visual images as much as lan-gnage." Among the highlights of a season running from the twelve months from September are a new David Hare play The Secret Rapture; about two sisters re-acting to the death of their father; a Hamlet with Daniel Day Lewis in the title role and Judi Dench as Gertrude; Richard Eyre directing Jonson's Bartholomew Fair; a double bill from Alan Bennett - his TV play An Englishman Abroad with another short play about spics based around Anthony Blunt, with Bennett playing Biunt; Lulu; Sean O'Casey's three Dub-lin Plays directed by Peter Gill; and, looking to Europe, the French director Jerome Savary let ioose on Le bourgeoise gentil

Among the miner idiosyncrasies will a twenty minute new

change and continuity.

As well as a "very theatrical programme," performed under a new directorial approach, he harked back to the perennial problem of a shortage of cash. Indeed this week the NT discovery directors at two pronged approach, with a slowly evolving approach, with a slowly evolving approach, with a slowly evolving

It will also be home to visiting productions from the provinces and overseas, although Eyre's first visit from an outside thea-tre company, Field Day from Londonderry with a new Brian Friel play, Making History, star-ring Stephen Rea, will take place at the Cottesloe. In the 1989-90 season there will be another international festival at the National.

Richard Eyre's first seaso will not appeal greatly to the American tourist, but it is attractively enigmatic. It is unfortunate that, along with his executive director David Aukin, Eyre will be as much concerned with improving the acoustic in the Lyttelton and Olivier theatres, shoring up the roof and bomme and Nuria Espert of courting the essential sponsors. Spain directing Celestina by de Rojas and starring Joan Plo-flagship of the nation.

### Mr Bolfry/Royal Lyceum, Edinburgh

### **Michael Coveney**

The centenary year of James Briclaims a turn in McCrimmon's to plant a seed of doubt in the die's birth is causing problems pulpit before being chased from Calvinist closed-ranks conspir-for his reputation, which has the manse into the night, We succeed undisturbed for a decade or two. It has now been awoken, and Super-Manse remarked the direction and Colin Winslow's

reference to the inevitability of of murder, or at least of destruct Penny Bunton is notably quick Nazism. As James Agate nearly tive self-denial, hangs about the and razor-witted as the sympasaid, there are no flies on Bridie's resolution. Devil, but there are bats in his Bolfry.

The diabolic Bolfry arrives in the Highland manse of the rigor-ously Calvinist minister, Mr McCrimmon, after a playful seance initiated by McCrimmon's emancipated, critical niece and two billeted soldiers, one a public school rationalist, the other an impoverished Jewish Cockney from the Borough Road cheerily nicknamed "Conk."

The first of four scenes estab-

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**FINANCIAL TIMES** 

snoozed unasturbed for a decase or two. It has now been awoken, not all that happily, by two major scottish revivals of plays from the 1940s, both fruit of his creative partnership with the late Alastair Sim.

Following the macabre medicinal murderousness of Dr Angehs at the Glasgow Citizens', Bridie's home theatre, the Edinburgh Lyceum has produced one of his Shavian discussion pieces on a pet theme, the necessity of evil in the freak influence of alcohol. Bolfry and he wear identical the overall scheme of things. In 1943, it was probably too early to be appalled by Mr Bolfry's gib reference to the inevitability of murder, or at least of destructive self-denial, hangs about the

and razor-witted as the sympa-thetically sensible niece who believes the kingdom of God is within all of us. She sails along breezily until Bridie loses interinto anything that crackles or est in her and withdraws her flares. The evening subsides into right to say any more on the sub-dullness, with the sole, twee ject once the debate proper is effect of Boliry's disappearing under way. Shaw would never umbrella (devised by Sim after have been so mean, but the Scots

### Focus on Dance in Scotland

But Bridie's hidebound, con-

ventional mode of theatre is unable to translate this element

The first of four scenes establishes this trio's "modernity" in dialogue of creaky thresomeness, shoring up the roof and ring the essential sponsors, with running the theatrical ship of the nation.

The first of four scenes establishes this trio's "modernity" in dialogue of creaky thresomeness before Bolfry, who claims to have a kirk of his own in Hell, engages with running the theatrical ship of the nation.

Antony Thorncroft

The first of four scenes establishes this trio's "modernity" in dialogue of creaky thresomeness before Bolfry, who claims to have a kirk of his own in Hell, engages McCrimmon in a central, unsubtle debate that sounds like a leftover Shavian preface with all jokes deleted. Bolfry quotes the gospel of William Blake and

### Bridie had forgotten a loose end) sometimes are. Lyttelton salutes

Armstrong

### On the Razzle/RSAMD, Glasgow

### **Rodney Milnes**

Robin Orr's new opera, his third, ally to do something, for it to of mock-Ravel-mock-Strauss here, was commissioned by the Royal take control.

Scottish Academy of Music and Drama (in association with the together run for less than 50 min-responsibly by providing so many together run for less than 50 min-utes, Orr seems to give up: the

repetitive mistaken identities, the Sightlines, though, are scarcely andience-friendly: those not lucky enough to be in the centre of the circles have a severely wan word-plays, the crass vulgarities - Stoppard is surely the most overrated playwright of the postwar period — could all be tion: this sort of postraing and swept away and the music given mugging is emphatically not time to breathe, especially since what students should be taught Orr is a considerable and proven today. The problems - and they loom large - of Orr's adaptation of composer for the stage. Tom Stoppard's adaptation of Nestroy stem from the basic

Within the context of a main-stream mid-20th-century musical language (Stravinsky, Britten, Walton are points of reference), his word-setting is exemplary in its natural fluidity, his instrumentation both resourceful and defity deployed (the orchestra is a full one, yet virtually every word is easily audible, alas), his melodic gifts well developed. There is a little gem of a solo for the nature of music (quick-fire gags defy musical setting), and too fast, in that given the com-plexity of the plot there is pre-cious little time for character the travesti apprentice Christo-pher in the first act when musi-

responsibly by providing so many tites, Orr seems to give up: the parts for the student body, but music is spread perflously thin as this is sadly compromised by the the plot is worked out with production. While not envying ghastiy inevitability. One sits Michael McCaffery his task in answering the contra-distinctive demands of music and farce, I wish he had come up with some-thing other than the face-pulling, silly-walk school of opera produc-

Fiona Hebenton (Gertrud and Miss Blumenblatt) fielded a clean mezzo and some shreds of dramatic credibility, there was an appropriately touching quality to Roger Topping's Weinberl, and Sally-Ann Sheperdson was an endearing Christopher for all that she worked too hard at it. Gordon Cowie's sonorous, crisp bass (Zangler) and Catherine Croall's gutsy soprano (Marie) gave promise of things to come. Praise for Gerald Kitching's pher in the first act when musi-cal inspiration for all too brief a great admiration for the orchesmoment takes control, before set-tral playing and choral singing tling back to chunter amiably under the experienced, unflappa-along under the text, with a dash ble baton of Roderick Brydon.

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FINANCIAL TIMES

# **Arts Guide**

### LONDON

The Common Pursuit (Phoenix). Second London chance for flawed Simon Gray comedy about Cambridge graduates in love and publishing, with a good young cast of comedians including Rik Mayall and Stephen Fry. (836 2294, credit card bookings 240 9681).

bookings 240 9551).
Rasy Virtue (Garrick). Transfer of
King's Head revival of early Noel
Coward, same period but lesser vintage than Hay Fever, but worth see-

Coward, same period but lesser vintage than Hay Fever, but worth seeing. (379 5197).

South Pacific Crince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Genman Craven failing to wash the haritonal Engle Belcourt out of her hair.

The Phantons of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (829 2244, credit cards 379 5131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Back with a Vengeance (Strand). Barry Humphries, indisputably the constanding vandavillian of the age, has extended his triumphant London season to July 9. Dame Edna Everage has now earned full immunity to good taste, while the bibulous sew heights of degradation. (636 2660/4183).

Hamcood (Aldwych). New Tom Stop-

touches new heights of degradation. (235 2680/4145). Sapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics in a splendidly tautand clever entertainment. Pelicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support. Double meanings and double identities abouted 6586 8464, credit cards 379.

### **NEW YORK**

Pences (46th Street). August Wilson's powerful tale of an old baseball player raising a family in an industrial city in the 1803, trying to improve their lot but degged by his own failings. (221 1211).

Cats (Winter Garden). Still a sell-out. Trevor Nunn's production of T.S. Kliot's children's poetry set to trendy music is visually startling and choreographically feline. (239 6262).

6262).

A Chorus Line (Shubert). The knygest-running musical ever in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as anditions rather than emotions. (239 8200).

6200). Les Misérables (Broadway). Led by Colm Wilkinson, repeating his West End role as Jean Valtean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source, (239 6200).

6200).
Startight Express (Gershwin). Those who saw the original at the Victoria Theatre in London will barely recognise its US incarnation: the skaters mise its US incartation: the staters do not have to go round the whole theatre but do get good emercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot. (See Se10).

### WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Eisenhower), Lily Tomlin repeats her award win-ning solo performance of the crazy people who inhabit her funny and strange imagination. One major seg-ment explores the women's move-

CHICAGO

TOKYO

TOKYO

The Maharabhata (Ginza Saison Theatre). The great Indian epic, dramatised by Jean-Claude Carrière and staged (in English) by Peter Brook and his international troupe of actors from Paris. In three parts, performed either on successive evenings or on a single day. Pull of enthralling images of earth, fire and water, but not without its longuers, especially in the final part, which consists of a repetitive series of battle scenes. Ends July 27. (535 (535). Hamlet (Ebisu Dai-2 Factory). This studio production by Japan's most innovative director, Yukio Ninagawa, makes use of two translations, one old and one new, but Ninagawa, makes use of two translations, one old and one new, but Ninagawa has left it up to his actors to decide which one to use – and when. The strong visual concept for this imaginative production derives from Japan's Doll Festival. Hamlet is played by a popular TV actor, Ken Watanabe. Ends June 29.

**AMSTERDAM** 

Stadeschonwhurg. The English-Speak-ing Theatre of Amsterdam contin-ues its 10th anniversary summer season with Beyond Silence, a mul-ti-faceted exploration of the female imagination. (all week except Sun and Mee). (24 22 11

incompatibility of music and farce. (Yes, yes, Offenbach, but his successful farces were in one

act, not three, and with three or

four characters, not 24.) The problems are reflected in tha ungainly proportions of Orr's

three acts. The first, at over an hour, is wholly concerned with setting up the laborious plot; it is

at once too slow, simply through

delineation, for the music actu-

June 24-30

restricted view.

# Impressionist records fall

Saleroom/Antony Thorncroft

Pal Josy (Goodman). Set in Chicago in the 1940s, this Rodgers and Hart classic, directed by Robert Falls, fol-lows in haunting melodies the esta-pades of a classic heel caught between the one who loves him and the rich lady he wants. Ends Aug 7. (443 ason).

"Sunflowers," but the final aggregate of £33.1m was the second best in its history.

And if two key paintings — a Renoir and a Modigliani — had sold as anticipated the record would have been broken. The Renoir, of a young girl reading a book in a garden, was pretty but dark, and falled to attract a bid. In the Modigliani, of his mistress, who committed suicide just two influenced by Picasso's classical

A Van Gogh of books, in which his "yellow palate" was much in evidence, did well at £7.15m, and one of the few townscape paint-ings that Monet completed dur-ing a stay in Holland in 1871 was on target at £3.85m, an auction record for the artist. Another record was for an early Chagall – a ferris wheel in yellows and greens, painted in Paris in 1911. It sold for £1.65m, almost twice the

to reach £2m.

Perhaps the biggest surprise was the £1.32m paid for a rare Renoir nude of a young man with a cat. The top estimate was £400,000, and in 1981 Christie's had sold it for £230,000. Other records were the £715,000 for a landscape by Bazille, who died at

Christie's was well pleased with the age of 29 in the Franco Prusits sale of major Impressionist sian War; £1.21m for a Manet paspictures on Monday night, ft tel, "Le tricot;" and £528,000 for a might not have quite matched the tricot; and £528,000 for a frothy Marie Laurencin of young the £38m total of the March 1987 auction, which included £24.75m. The twelve paintings sent for sale at the last might be all the last might be a few for the few for the last might be a few for the few for t for just one picture, Van Gogh's sale at the last minute by Alan "Sunflowers," but the final aggre- Clore sold for £6,114,900. They

The Modigliam, of his mistress, who committed suicide just two influenced by Picasso's classical days after the artist's death, was also lacking in joie de viore.

These apart the sale went well. Seurat, "Les peupliers," was on target at 2242,000. A gouache and watercolour of two clowns on a horse by Chagall made 2264,000 as did another Chagall, of a tayern. in the morning session, a fay-ern. in the morning session, a Marie Lanrencin, "Deux femmes," did well at £220,000, and "Maison derrieres des arbres" by Soutine just about tre-bled its forecast at £187,000. The session contributed £6,365,700.

with 23 per cent unsold. previous best, but it was expected Sotheby's two day print auction totalled \$1.8m with 16.4 per cent unsold. Top price among the Old Masters was the £225,500 paid for an anonymous 15th century German woodcut, of the Pieta, It is printed in black with below is printed in black with bright early hand colouring in red and

### **FINANCIAL TIMES**

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Wednesday June 29 1988

# The Party and the state

sumer goods are below cost. He went on to promise the removal of the state subsidies that make this possible. But, even while waxing eloquent in almost Thatcheresque style about the inflationary effect of the state budget deficit, ha also promised not to use the savings on subsidies to reduce that deficit but to mass them on directly to the peopass them on directly to the peo-ple, apparently in order to cushion the standard of living against the effect of the rise in retail prices. That sounds like a classic recipe for an inflationary spiral, but will perhaps be modified by the "deep study" of the subject which Mr Gorbachev said is now

### Radical remedies

Meanwhile, political reform has become his overriding priority, as he has realised that only by bringing a much broader sam-ple of the Soviet population into the decision-making process can he hope to overcome vested interests and bureaucratic inertia, and so to carry through the wholesale modernisation of Soviet society which is his aim. In one of the most patently sincere passages of his speech, be admined years that he had not at first realised just how bad things were, and how radical the remedies that would have to be applied.

The great merit of yesterday's speech is that it gives us the first relatively clear picture of the new political system that Mr Gor-bachev is trying to build. It is to

THE SPECIAL conference of the ciary: a society whose citizens Soviet Communist Party which opened yesterday was called specifically to deal with problems of soviet democracy. It is therefore not surprising that the main november of surprising that the main november of the ciary: a society whose citizens society opening speech concerned political rather than economic organisation, even though Mr Gorbachev's would he such a fundamental change that one is bound to feel some scepticism about it really sation, even though Mr Gorbachev himself is probably as well aware as anyone that accounts chance of it unless the new-found freedom of the media is preserved and expanded — and, conversely, the best hope of that is that freedom of the family farm experiment, and he did admit that the current retail prices of many basic foodstuffs and other consumer goods are below cost. He went on to promise the removal

The other two prongs of Mr Gorbachev's trident are the democratisation of the Commu-nist Party, and the separation of the Party from the state. The are laudable objectives, but how will they work in practice? The Party, while striving to disengage from purely executive tasks, will not renonnce its monopoly of political leadership, indeed of political activity in the narrow sense. That makes its internal democratisation vitally important, but may also make it more prohlematic, since those whose views the Party rejects will not be able to conduct an organised campaign for an alternative pro-

The distinction between political leadership and executive responsibility is by no means as clear-cut as Mr Gorbachev makes it sound. His own position illus-trates the problem. The beefed-up state presidency which he pro-poses (modelled on that of France, hy the sound of it) includes many of the functions he himself now performs. It could not in practice carry the political weight that he wants it to unless combined with the leadership of the ruling party. In suggesting that the Party can somehow step-back from power without stepping down, Mr Gorbachev fails to take into account the irresistible determination of all those who have to deal with the state, whether at home or abroad, to work out who is really in charge be a society emoying the rule of and deal with that person law, with an independent judi-directly.

# Splitting up the DHSS

recent internal reports on the gerial innovations on the table, administration of welfare payadministration of welfare payments by Britain's Department of Health and Social Security the political definition of the (DHSS) are highly critical. The proper level of expenditure on department is too big. It is spend pensions and income support ing some £69bn per year, or 44 per cent of all government expen-diture. On the social security side it has 96,000 employees who pro-cess about a hillion benefit pay-ments a year. The National should be limited to those who Health Service has a further 750,000 employees on its books, not to mention work contracted out. This is the size and scope of department whose equivalents are getting a bad name in the Soviet Union.

A DHSS review team has now Reshuffle

found that social security is over-administered and undermanaged," with the consequence that there is a wide variation in standards of service, ranging from the "quite outstanding to the quite appalling." Staff morale is low. Turnover is high. Counter clerks are concerned about assaults by disgruntled clients. Recruitment is difficult. If the DHSS were a private company DHSS were a private company the case for replacing its board by a more able team would be

### Management

In the event Mr John Moore, the responsible Secretary of State, has promised to examine his department's own reports with "all possible speed." One suggestion is that about 2,000 headquarters staff should he moved out of London. Another combined with a staff retraining programme. Pensions and income support payments, the hread-and-butter work of social security, should be run on an agency basis. Management responsibilities should be devolved; individuals should be made clearly accountable. Performance should be measured. If all this sounds familiar, so does the fashionable notion that the department needs a corporate

image, with funds to promote it. There is nothing wrong with setting out to improve the management of social security. Efforts to do so on the health side have already made some headway, and when the current review of the NHS is completed under the chairmanship of the Prime Minister there will no

IT IS HARDLY surprising that doubt be a whole series of manahowever, managerial. It lies in the latter being the kind of pay ment that in the US is usually termed "welfare." Mr Moore is a are most in need and who most ohviously cannot fend for them-selves. Beyond that, "depen-dency" should as far as possible be eliminated.

### This political standpoint has

undoubtedly contributed to a cli-mate in which work in social security offices is beld in low esteem. The Government has sig-nalled that this is an area of its operations for which it has little regard. Its preference is for pri-vate charities to take up the slack where they can. It is no wonder that some members of wonder that some members of the public find local offices, in the department's words, "sleazy" or "forhidding." The extraordi-nary and welcome social advances of the past decade have been accompanied by the emergence of what Americans term an underclass." It is being handled

by an under-Department No mere administrative change will alter this. There is, neverthe-less, a strong political case for dividing the department in two. Mr Moore may be the right Minister to carry forward the restructuring of the NHS that he is due to announce in the autumn. If
the Prime Minister considers that
his stock of political capital has
mate associates of the current run out, the present Minister for Health, Mr Antony Newton, would be an able replacement. Either way, no single individual will be able to tackle health properly if he or she is also responsible for social security. If the latter task is to be seen as primarily, an assault on dependency the correct course would be to merge social security with employment. In times of large Budget surplus there is, however, a strong case for a more emollient approach. A separate department under, say, the present Minister for Social Security and the Disabled, Mr Nicholas Scott, would do the

Clive Wolman explains US firms' failure to achieve the success expected of them in the City of London

# The eagle that never landed

FROM power breakfasts, 7.30am starts and six-figure salaries to the dismanting of the old boy network and the mobilisation of lawyers to vet every transaction: the Americans have been credited with transforming the City's work patterns and business methods

over the last four years.

Before the Big Bang reforms of 1986, many UK stockhrokers were forecasting that the all-pervasive influence of Wall Street would ultimately lead to most of the UK securities industry falling into IIS houde. But that her so far ing into US hands. But that has so far proved to be one of the most wayward of the pre-Big Bang forecasts. Nearly all the leading US banks which paid so dearly for a foothold in the London market have suffered setbacks and embarrassments and achieved disappointingly low market shares. In the gilt-edged market, for example, American-owned firms have accounted for 40 per cent of market makers but only about 30 per cent of turnover.

The Americans hullt up their securi-ties operations more rapidly and ambi-tiously than any other financial institutions, except possibly for County NatWest. Five US-owned firms more than quadrupled their numbers to more than 1,000 in the two years before Big Bang. They were also the first to announce redundancies in London and on a larger scale than the British.

 Shearson Lehman laid off more than
150 last September.
 Salomon Brothers went from 900 to 750, also before the October crash, as part of a withdrawal from several trad-ing areas.

Chemical Bank, the US commercial bank, cut 170 and withdrew from the issuing of Eurosecurities only a year after investing heavily in building up a Cbase Manhattan has had two rounds of redundancies and has twice restructured its stockhroking operations, leading to mass defections.

British victims complain about US 'pigeon' style management in which bosses pay nothing but flying visits

· Merrill Lyncb, after drastically reducing its gilt-edged operations early last year, has laid off more than 150. Prudential Bache, subsidiary of the Prudential insurance company, and the Royal Bank of Canada are among the four firms to have withdrawn from

gilt-edged market making.

Many US firms laid off newly recruited graduates, in one case just after they completed a training course in New York. Already, this year the effect has been to force US firms to offer even larger salary premiums to new recruits from universities.

new recruits from universities.
Citicorp and Security Pacific, two
leading US commercial banks which paid more than 280m each for what were two of the highest ranking UK stockbroking firms, Scrimgeour Kemp Gee and Hoare Govett, suffered losses of about £25m each last October in Dub-lin and London respectively. Security Pacific was forced to make an emergency injection of capital. Both banks have reined in their UK subsidiaries and cut bonuses and other costs. This has led to a fresh wave of defections and a slump in staff morale.

British victims complain bitterly

about the US "pigeon" style of manage-ment, in which the boss pays a flying visit, deposits his droppings in the form of ill-judged criticisms and the occasional peremptory firing, and returns to

Their complaints are of interest, not as a fair critique, but as an indicator of the culture gap between traditional British stockhroking firms, cocooned for so long by the Stock Exchange car-tel, and US banks with their focus on quarterly performance figures, tight control imposed from New York headquarters, insistence on smoothly functioning paper-processing systems and rapid hire and fire policies. According to Mr Aram Shishmaniam, of Arthur Andersen management consultants: "US banks work in a very structured corporate environment with rigid hud-gets, performance measures and gets, performance measures and approval processes, which the British don't like. The opposite happens when UK banks acquire in the US. The US managers feel uncomfortable because they don't get firm directions."

Ironically, when their acquisitions were first made, several of the US hanks agreed to grant their London requisitions are unprecedented degree.

acquisitions an unprecedented degree of autocomy. The most common com-plaint from Hoare Govett employees in the first year after Big Bang was that Security Pacific, a Los Angeles-based bank, was doing nothing to bring them into the group or to extract synergies by cross-selling services and exchang-ing information and expertise. Several leading figures resigned when Security Pacific took full control after last October's crasb, complaining that the bank's senior executives had shown lit-tle understanding of the securities business. According to Mr Angus Rislop, of Coopers and Lybrand management con-sultants: "Synergy is very difficult to achieve when totally different cultures

come together."

Citicorp also adopted a different approach to its London acquisition. According to one participant, chairman Mr John Reed examined Scrimgeour's Dogfox desktop company and price information system and complimented the executives on its success. "Just don't let our guys come in and screw it

up," he said.

Mr Fred Pettit, a long-serving Citicorp executive, was appointed chief
executive of its UK securities firm at
the request of the Scrimgeour employ. ees. However, be was summarily removed only five months after Big Bang, supposedly for falling to control costs and bypassing the bank's complex eporting systems.

Prudential Bache, which set up its

own stockbroking operation in London in 1983, has stuck more consistently to a policy of loose central control. According to chief executive Mr Will Custard: "We have hudgets and risk limits and we standardise the paper work but nothing else. You can't expect one person in head office to understand everything that's going on around the world." But even Pru-Bache has suf-fered two prominent defections, of Mr Duncan Duckett and Mr John Macar-thur, as a result of hudgetary disputes. The US banks appear to be in danger of getting caught up in the downward spiral suggested by McKinsey manage-

ment consultants (see diagram). Mr Seithe rush by outsiders to huy into the UK securities industry with similar fashions for leisure companies and consumer goods brands. "For any small incumbent firm, when the rush begins, the only sensible decision is to sell out, take the money and run," he says. But it is far too early to write off the

Americans. Since the General Motors acquisition of Vauxhall 60 years ago, DS multinational companies have come through the years of anguish to make a success of their British acquisitions.

The risk-of acquisitions going down the drain-GROWTH FOR GROWTH'S SAKE WEAK STRATEGIC RATIONALE HEAT OF THE CHASE OVERPAYING FOR ACQUISITION LOSSES ACCUMULATE

MASS DEFECTIONS

REALISATION OF ERROR

BUDGETS SLASHED

STAFF DEMORALISED

- SOSAL LUQUIDATION

The long-term strategy behind their entry into the London securities markets remains. The commercial banks see it as a way of gaining experience of managing an investment banking operation in preparation for US deregulation, while the investment banks see it as helping to secure a leading position in the globalised industry. Thus the investments that the US banks have made should be evaluated not on the basis of the profits directly extracted, but on the contribution that London makes to their global operations and on their ability to disseminate the skills and experience gained to other parts of

their organisations.

In any case, the number of firings and staff defections is not a reliable criterion of success or failure. One method which has failed has been the use of golden handcuffs to prevent key employees from leaving and diminish ing the value of the acquisitions. Hand-cuffed staff have tended to hecome demotivated or found ways of freeing themselves. Shearson Lehman eventu-ally forced the departure of 14 ex-part-ners — whom it had handcuffed — of the stockbroking firm L. Messel.

Nevertheless, the losses suffered by the US institutions, excluding their BP underwritings, remain small compared, for example, with the £116m lost by County Natwest or the £60m lost by Barclays de Zoete Wedd during the crash. Even Shearson Lehman, the London operations of which have achieved one of the poorest performances since Big Bang, has a 20-year record of making difficult acquisitions such as that of Lehman Brothers investment bank and, after the initial traumas, successfully

absorbing them.

At the same time, some of the US investment banks, such as Goldman tachs and Morgan Stanley, which hav built up their London operations gradually and on the basis of recruitment and training rather than acquisition, have achieved success Goldman Sachs's conservative approach ensured that it suffered only small losses last October. And it has aiready become the leading foreign adviser on UK mergers and acquisitions, challenging the hege-mony of the merchant banks. It was also one of only four firms to have made a profit from gilt-edged market making in the first 12 months after Big

However, even Goldman decided to "let go" of a fairly large number essential staff. And it has yet to resolve several festering management issues, in particular the intensity of daily "communications" between London and New York, which often becomes a ritual back receive grantice, and its exclusive buck-passing exercise, and its exclusive reliance to date on home grown US partners to take charge of the UK

if the weaknesses of the US style of managing professional staff have not been as damaging as their UK competi-tors claim, neither have their strengths been exploited as much as was feared been exploited as much as was feared. The management of paper processing and the settlement of bargains is one area in which US securities firms have a strong potential advantage. The settlements crisis of 1968 on Wall Street, which forced several firms into bank, ruptcy, persuaded them to invest heavily in automated systems which have reduced drastically the number of movements of share certificates and other paper. Prudential Bache says that its average cost of settling a New York Stock Exchange bargain is only \$5. Most British firms, if they can estimate their costs at all, cite a figure five to 10 times as great.

times as great.

Most US firms were shocked to discover the sprawling mountains of paper covering the deeks of the settlement departments in their London acquisidepartments in their London scienti-tions. Morgan Stanley pulled out of negotiations to buy one stockhroking firm after one of its partners was taken on an after-lunch visit to the back

But most US firms have so far don But most US firms have so far done little to raise the standards of their UK subsidiaries. In particular, they have failed to exploit their potentially low cost base to move into private client stockbroking, where settlement costs represent a high proportion of the value of the typical bargain. The US investment banks have shied away from moving into the retail market and the private client stockbrokers and clearing banks, which have a large market share, have been reductant to market share, have been reluctant to follow the Wall Street model and sub-contract their settlement operations. Security Pacific, as a commercial bank, has no direct experience of settlements in the US and proved unable to assist

In the US and proved thanks to assist Hoare Govett in its attempt, which ultimately failed, to become a large low-cost private client broker.

According to Mr Shishmanism, the US firms also did not appreciate the extent to which their UK operations would be dependent on the unsophisticated central settlements system.

Nor have most US firms, with the .4 possible exceptions of Chase Manhattan and Morgan Stanley, demonstrated any greater skill in devising management greater skill in devising management accounting systems. According to one management consultant, until it suffered a slump in profitability early last year, Salomon Brothers' interest in its accounts was limited to the quarterly aggregate figures, for revenues and expenditure. This is surprising in view of its concern with objective performance measures and financial targets, and its lengthy experience of running interrated securities operations with no fixed commissions.
Without the ability to analyse the

Without the ability to analyse the costs and revenues attributable to each operation, it becomes impossible for securities firms to price their services correctly. Nor can they decide rationally what areas to cut or expand.

Which companies emerge among the winners in the battle for global domination may depend as much on their ability to analyse their complex and interrelated operations as on the way they

related operations as on the way they handle their staff.

### Japan's new think tank

job," Yasuhiro Nakasone said in Tokyo yesterday as he emerged from several months' relative seclusion. He has spent the time setting up a Japanese think tank on political, strategic and economic issues.

Nakasone, who stood down as Prime Minister last November after a momentous five years in office, will be chairman and president of the new organisation, to be called the International Insti-tute for Global Peace. He says there is too little diver-

sity of opinion on public issues in Jepan and be bopes that the institute, which is being compared with Chatham House in London and the Brookings Institution in the US, will attract a wide variety of scholars, includ-ing foreigners, to improve mat-There is some question in

Nakasone will have everything enquiries from commercial comhis own way at the institute. As panies, some of whom ask for he himself acknowledged, some several thousand numbers. Thus elements within the Japanese the phone is not always fully Government bave not been manned. enthusiastic about infusions of ideas on public issues from the improve by the end of the year outside. He insisted that the institute, even though created by an act of the cabinet, will be pridirect access to its data base. vately funded and run.

Prime Minister, Noboru Takeshita, among the great and the good represented on the institute's

### London enquiries

■ It has become increasingly difficult to get through to British Telecom's directory enquiries service in London. Even getting a recorded voice saying: "You are waiting in a queue" counts as a stroke of luck. It is much better

in the north.

Telecom, recognising the London problem, started negotiations a year ago with the Union of Communications Workers about tions. The weekly "Réalités" placed in a saucepan of cold

# **OBSERVER**

"I have at long last found a proposals to resite operator ser-job," Yasuhiro Nakasone said in vices in the regions. They are still going on.
The union says the negotia-

tions have reached a "delicate stage". There are fears that moves outside London could lead to "regional" — and therefore lower — wages, although Tele-com has not proposed this.

There is no reason why the London service should be central. International directory enquiries, for example, is spread between Grimsby, Leicester and Irvine. Telecom has difficulty ettracting operators in the capital where the maximum wage is just

over 28,000, including a £1,500 allowance for London weighting. Nevertbeless, about 2,000 were recruited last year to a work force of 6,400, as part of chairman Iain Vallance's commitment to improving the service.

London operators also spend
their time dealing with written

The service is expected to

End of Bourguiba ■ The Soviet Union is not the

only country to turn against its past leaders. Something is going on in Tunisia where Habib Bourguiba, the President for Life until he was relieved of office last year, is being thoroughly dethroned. The local authorities in the

industrial centre of Menzel Bour guiba near the port of Bizerta have taken down his statue and it may be that the place will be shortly renamed. Bourguiba's



"I would pay £800 for a Wimbledon ticket only I'm afraid of

recently wondered where the former ruler's jewels might be. Bey Lamine, who was deposed thirty years ago after independence from France, owned a magnificent collection, part of which was appropriated by Bourguiba's sec-ond wife, Wassila Ben Amar, whom he divorced in 1986 and who now lives in exile in Paris. Senior officials in Tunis say that the moves to take down the

statues are the result of local initiatives. They have no wish to intervene one way or the other. Still, the huilding of the 20-me-tre-high statue of Bourguiba on the Place de la Kasbash, which dominates the old city, was stopped at the end of last year.'
The authorities paid \$60,000 to
the Italian architect for work

Stupid frogs

Businessmen have to avoid becoming boiled frogs, according to Crispin Tweddell who heads the retail venture capital fund,

water which is then heated will not notice the rising temperature and boil to death. Frogs put in bot water jump out again. The moral is that businessmen must be more aware of changes in their environment.

### Cricket scholars

■ Those who argue that univer-sity cricket should have its first class status removed had their point strengthened by last week's heavy defeat of the combined Oxford and Cambridge XI by the West Indies.

West Indies.

Roger Wardle, a partner in the Cambridge office of accountants Peat Marwick McLintock and Chairman of Cambridgeshire Young Cricketers, says that the universities may be complacent about their traditional role.

While they may have two fine pitches on which county betsmen can improve their batting averages, they do not have the players to merit their first class standing. Wardla thinks they have only one cricketer of future England potential, the Cambridge captain, Mike Atherton. The solucaptain, Mike Atherton. The solution, he believes, in a policy of giving places to good cricketers who may not have the top aca-

Peat Marwick is sponsoring the Varsity match at Lords this weekend.

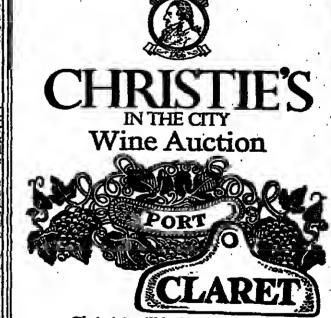
Long speech

■ The one area of activity which Mikhail Gorbachev has not yet restructured is speech-making by leaders at Soviet Party conferences. His own speech yesterday

According to Lord Glenarthur, Minister of State at the British Foreign Office, a previous Soviet leader attempted to reform the system by ordering his speech writer drastically to reduce the length of his text. Yet when he got to the rostrum, he found it took much longer than usual to

read.

The speech-writer explained afterwards that he had carried out the instructions. But I didn't expect you to read all three ver-sions."



Christie's will be holding another City Wine auction at the Institute of Chartered Accountants on

Monday 4 July 1988 at 12.30 pm The sale will include Havana Cigars, Vintage Port, Claret, Burgundy, Cognac, and a selection of interesting bin-ends.

Elizabeth Fisher Clay An Exhibition of Paintings 11-15 July 1988 9 am-5pm

Christie's City Office will exhibit oil paintings by Elizabeth Fisher Clay [1871-1959], to be sold at South Kensington on July 21

For catalogues or details of forthcoming City Seminars please contact Peter Arbuthnot

56/60 Gresham Street, London EC2V 7BB Tel: (01) 588 4424 or 606 1848

### David Buchan, David Marsh and William Dawkins report on the EC's latest step towards monetary union

# Trying to break the barriers of sovereignty

THE HOUR was past midnight and the mood euphoric at separate briefings in two Hanover hotels: Mr Helmut Kohl, the two Hanover hotels: Mr Helmut Kohl, the West German Chancellor and Mr Jacques Delors, the EC Commission President, sketched out in almost visionary terms Europe's road map towards monetary mion in the 1990s.

The two leaders were reporting on the decision a few hours earlier by EC heads of government to set up a high level study group to examine over the next 12 months potentially far reaching improvements in European monetary cooperation, including moves to a single European to the study of th

tion, including moves to a single Euro-pean currency and central bank.

The Hanover move gives fresh impetus to a traditional Community objective. It comes four months after the EC at its last summit in Brussels finally resolved its summit in Brussels finally resolved its budgetary crisis. It appears at last to gear the Community again firmly to the future after several years of nationalistic wrangling over the budget and farm spending. For Mr Kohl, the proposal crowns Bonn's surprisingly successful six month term in the Community chair - and it deflects attention from his in-magning. deflects attention from his increasingly pressing domestic political problems. The plan gives Mr Delors, already basking in praise for pushing forward the internal market programme, a fresh platform for his efforts to strengthen political and economic bonds between EC members.

Mr Delors, a former French Socialist finance minister was remineded manual.

finance minister, was nominated unant-mously on Monday night for a further two year spell as EC Commission presi-dent. He will chair the monetary study group, to be composed mainly of EC central bankers as well as outside experts.

However, EC member states face a long hard journey to turn Monday's euphoria into action, in view of the still large economic divergences in the EC and the delicate questions of political sovereignty involved in the monestry wider debate.

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Oxford

involved in the monetary union debate, Mrs Margaret Thatcher, the British Prime Minister, represents one of the toughest obstacles. As the goal of mone-tary union is now enshrined in the Single European Act which came into force last summer, even Britain feels it cannot easily block further debate on the matter. But Mrs Thatcher only put her name to the study group move because it made no specific mention of the idea — favoured above all by the French and the Italians — of creating a common European cen-

tral bank.

The British government's opposition to The British government's opposition to a Eurobank is grounded on Mrs Thatcher's refusal to consider the transfer of sovereignty to Europe in the monetary field. She has irritated both Bonn and Paris by opposing full British membership of the nine-year-old European Monetary System. The pressure for sterling, the most widely traded EC currency after the D-Mark, to join the exchange rate the D-Mark, to join the exchange rate mechanism is bound to grow as Mr Delors develops his group's work. But Mrs Thatcher's attitude on EMS

remains unbending. And she made clear yesterday that her idea of monetary union does not include the permanent fixing of EC exchange rates, let alone a single EC coinage or bank. "Products change, markets change, and exchange rates can never be irrevocably fixed," she said. The Thatcher vision is clearly of monetary freedom, rather than union.

The Community has in the past made two major efforts at forging stronger monetary links. In both cases, results have fallen behind original hopes.

The Werner Plan of 1970 set for 1980 the goal of monetary union now thought of, at its earliest, as a target for the 1990s. The EMS, which came into force in 1979, originally envisaged moving in 1981 originally envisaged moving in 1981 towards setting up a European Monetary Fund (EMF) which would pool permanently, member countries' gold and foreign exchange reserves. Above all because of opposition from the West German Bundesbank — which will play a vital and septical role in the new debate there are three new factors, compared with a decade ago.

The first is the fast progress in tha

Community's programme for deregulating its internal market which has now come so far that pressing questions in

related areas have to be answered.

These are; how can the business benefits of scrapping trade barriers be spread to workers? Will the dissolution of internal frontiers make international crime control impossible? And, most important of all, is a single market possible without a single currency and a single Euro-bank to manage it?

The second new point is that the per-



The road to union: Jacques Delors gets his bearings well as restiveness among some of West

Germany's partners. France and Italy, in particular, believe a move towards a common central bank could dilute West Germany's de facto dominance of the EMS. These countries complain not only that the Sundesbank's monetary stance sets the tone for the rest of the Community, but also that West Germany's overall low growth and antiinflation amphasis are unnecessarily dapressing jobs and economic activity

elsewhere in Europe.

This view sparks off a strong counter reaction from the Bundesbank. The statutorily independent central bank argues with strong support from Bonn - that any European currency integration not ed on utter commitment to price sta-

bility would be unacceptable.

The third fresh factor is the personality of Mr Delors. His already strong reputa-tion in French politics and finance, as well as the competence with which he has run the Commission during the last 8½ years, have now pushed him into a pivotal role.

The Commission in the past has led, if at all, from behind in monetary affairs. But now, in anticipation of this week's agreement, Mr Delors has already been laying out the agenda for his monetary study group's deliberations.

The train of thought which Mr Delors has set in motion tries to tackle Europe's multi-currency imperfections by moving to a single currency and then crowning to a single currency and then crowning the process with a central bank. Mr Delors held out an important clive branch to the Germans last week by saying that any future central bank would have to be independent of governments or the EC Commission — just as Mr Karl Otto Poehl, the Bundesbank president, has incited.

formance of the RMS in establishing a zone of relative currency stability has generated a desire to build on it — as Mrs Thatcher. While several EC leaders

were yesterday stressing the eventual need for a Eurocurrency, Mrs Thatcher was approvingly citing a recent Poehl statement to the effect that monetary union did not necessarily entail a com-

Mr Poehl has also questioned to what extent the embryonic Eurocurrency, the ECU, could be used and promoted in par-allel with national currencies. In contrast to Mr Delors and the Commission, who laud the ECU as the best intervention weapon on the financial markets, the Bundesbank has strong reservations about any currency basket like the ECU not being subject to national financial

Among the 16-strong panel chaired by Mr Delors, Mr Poebl is likely to have the most important voice of the 11 EC central bank governors. The most prominent of the outside experts, Professor Alexandre Lamfalussy, general manager of the Bank for International Settlements, could play a determining role. Although a piller of the central banking establishment, he is no Thatcherite. Mr Lamfalussy is a great believer in the EMS, and has criticised repeatedly what he considers the overcautions fiscal policies of the Bonn gov-

Overshadowing the coming debate is the question of where monetary policy for any future European monetary union will be decided. Not for nothing has Mr Poehl joked recently that the home of a future European central bank could be Frank-furt, making a dual pun on the need for currency stability and a "franc fort". The Bundeshank doubts whether Euro-pean governments despite the hold pean governments, despite the bold words of Hanover, could stomach the loss of political sovereignty necessary to set up a fully fledged European central bank.

In the last resort, this may be an insur-mountable obstacle for more heads of

government than just Mrs Thatcher.

the complexity of the issues. One issue is the Christian cri-tique of the market philosophy so

The UK Government and the Church

# The great divide of economic policy

By Donald Hay

THERE IS something ironic about the present disputes between the Church and the Government in the UK over economic policy. For the first time in living memory, Britain has a Prime Minister who is not ashamed to confess her Christian ashamen to comess ner Christian faith publicly and to claim that her policies spring from Christian roots. Yet when she seeks to enlist the Church as an ally, she meets with a curious reluctance. Secular observers are rightly

The easiest explanation is readily available. A crusading advocate of right-wing policies is confronting a Church which has predominantly socialist leaders, their political beliefs having been formed in the 1950s and 1960s. Not for the first time, the Church is simply out of touch and out of date. Wait for the present bench of bishops to die or be pensioned off, so the explanation runs, and a younger generation will have more sense. But this superficial explanation fails to comprehend

eothusiastically esponsed by the Government. Properly expressed, this critique eounds a note of warning at those points where a ond area of contention in the Christian conscience is troubled. rsther than calling for a wholesale repudiation of the market, responsibility rests firmly with To the Government's emphasis individuals, and particularly with on private property rights, a those who have benefited from Christian responds with a con-cept of stewardship. Property would argue that the Govern-entails responsibilities to others ment should not duck its Godin its use, as well as rights. The given responsibility to see that Government urges the role of justice is done to the poor. It profit as an incentive for motivat might also argue that private ing the enterprising in the use of charity is likely to be haphazard resources. A Christian, heeding (how do I give to the poor in Christ's teaching, fears the single-minded pursuit of Mammon: than generous. Furthermore, and who, looking at yuppy culture, would deny that the Christian densities a solid deny that the Christian densities a solid constitution. tian has a point. Competition, as the "Department for Enterprise" of the Church as moral teacher. never fails to remind us, is essential to the market mechanism. It creation of Wealth, Brian Griftensures that resources go to fiths, the Prime Minister's policy those who value them most adviser, argued that a successful market surface and seemed to the prime Minister's policy those who value them most adviser, argued that a successful market surface and seemed to the prime market surface and seemed to the problem. highly or can use them most pro- market system depends on a highly or can use them most productively. A Christian learns moral base to ensure that people from the New Testament to do not exploit the opportunities esteem community and to value of the market in an opportunistic co-operation for the common way. Markets cannot curvive good. He does not deny a place for competition, but fears that it may combine with individualism to produce destructive rivalry.

The market mechanism is said moral base to ensure that people anomic tique tique of the market in an opportunistic telescope of the market in an opportunities of the market in an oppo

be a price to be paid for such efficiency in the marginalisation of those with few resources or few skills. They may be unemployed, or earn little, so their participation in the market economy tian recalls the biblical "bias to the poor". That God cares particularly for the poor is a recurrent theme in the Law, the Prophets, the teaching of Jesus. and the life the teaching of Jesus, and the life of the early Church.

The question remains as to how that care for the poor is to

The Government says the market mechanism is the only source of wealth creation but there may be a price to be paid

present debate. The Prime Minis-

by the Government to be the only source of wealth creation, through efficient and enterprising resource use. But there may pursuit of self-aggrandisement is pursuit of self-aggrandisement is not to spill out from markets into non-market behaviour. (The cur-rent increase in "middle class" accident.) The Government needs

accept this role, much to the cha-grin of Conservative politicians. There is no single explanation for that rejuctance. Some in the Church would argue that their proper task is to preach the Gos-pel rather than Christian morality. The Kingdom of God has nothing to do with secular poli-tics and the Prime Minister's attempt to enlist it is resented. Others would agree that tha Church does have an important role in contemporary politics, but would wish to base that role on the social theology of the 1930s. Archbishop William Temple is their inspiration and he had much to do with the founding of

the Welfare State. Yet others subscribe to a more in Faith in the City, the Church of England's report on inner cities published in 1985, and in the recent Church report, Changing Britain. The search is for a common morality for public life shared with other liberal-minded persons both believers and nonbelievers. Any distinctive contri-bution from Christian theology is deliberately played down. The result is far from the ringing result is far from the ringing endorsement of basic Christian values which the Prime Minister would like. Given the depth of the divide between the Government and the Cburch on economic issues, it is unlikely that she will get that endorsement, at least in the near future. Donald Hay is Fellow and Tutor in Economics at Jesus College.

in Economics at Jesus College, Oxford, and the author of Eco-nomics Today: A Christian Cri-tique to be published by IVP, Leicester in 1989.

Brian Griffiths, The Creation of Wealth, (Hodder and Stoughton

1984) Faith in the City (Church House Publishing 1985) Changing Britain (Church House Publishing

### Value variants in the NHS services services

From Mr Peter Oppenheimer. the National Association of Health Authorities asks (June 24) why hospital consultants should not be employed - like Health Authority members, chairmen, general-managers and ancillary staff - on value-for-muney renewabla contracts. There are

two reasons why not. ... First, consultants are profes-sionals carrying responsibility for the specialist care and treatment of patients. They have undergone prolonged technical training, graded work experience in the practical application of their practical application of their skills over a run of years, and meticulously detailed assessment of their calibre, before appointment. In comparison, Health Anthority members, chairmen, general managers and ancillary staff are non-professional, non-technical functionaries appointed more or less at random and responsible for nothing except

halancing the books. alancing the books. Second, there is no foreseeable prospect of devising sensible per-formance indices for hospital doctors (or indeed for general practitors (or indeed for general praction are). Value-for-money calculations and cost/benefit gualysis are excellent for helping it decide on techniques (for example, disposable versus re-usable syringes) or on optional programmes such as screening or immunisation. They have little to contribute towards assessing the contribute towards assessing the work of individual doctors or dical units. Ascertainable data on intermediate outputs such as patients processed, operations performed, cost of treatment and so on are effectively swamped by qualitative factors and by differences in the mix of patients

This is not merely predictable in advance, but is becoming more apparent with each new batch of statistics put together by the Department of Health and Social Security (DEFSS) Security (DHSS). Peter Oppenheimer, Christ Church,

### Letters to the Editor

### Strong brews can cause abuse

From Mrs Eva Wittenberg.

Sir, I was interested in the over four times the legal limit. strong hrews mentioned by Observer (June 21), and roughly remain above the legal limit for

One pint of Mr Newill's Roger and Out would take the level of alcohol in the blood to just under twice the legal limit for being in charge of a vehicle. It would take six hours for the blood alcohol level to return to the legal limit. Five pints of Mr Crabtree's alcohol level even more effectively; and the sixth - free -

Hammer raises the blood

fered by others, this right seems to me open to question. Eva Wittenberg.

### Schools should serve citizens

From Mr. Charles Smedley.

Sir. Michael Prowse (Lombard, June 27) confesses to learning lit-tie at school and blames the curriculum as "unimaginative, nar-row and anachronistic." He doubts whether the new national curriculum will help, and claims that citizens are being cheated and should demand their money

The act of giving back citizens' money, through an education voucher, will improve the quality and breadth of schooling — even within the guidelines of the National Curriculum — as estab-

lishments compete for pupils.

The quality of teachers will also improve as resources are allocated to the front line and support services are made more efficient and competitive.

Tha reorganisation of assets within the educational sector, as pupils mova and certain schools close, would also release capital for improvements to the equipment in and fabric of schools. Mr Prowse was correct hand

calculated their effects on an most of the next 24 hours.

average consumer. You say in your leading article ("The abuse of alcohol," June 22) that "people have a right to indulge in potentially harmful activities," but if the harm is suf-

Isleworth, Middlesex

5 Routh Road, SW18

needs to be revised to make it suitable for the 1990s, I must take

This view of geography was always wrong, and is today dra-

matically out-dated. Modern

geography, often alone among school subjects, deals with those

very topics which Mr Prowse thinks are important (as I do), such as supply and demand –

geography book? Patrick Bailey,

32 Guildford Road

Sunday.

invent new sorts of "viewing fig-ures" should be watched carethe money to the parents and let competitive forces do the rest. Charles Smedley, fully. What would your competitors say if yon, Sir, suddenly decided to announce your circuation as 1.75m on the grounds that that was the number of papers you sold each week? From Mr Patrick Bailey. Sir, While I agree with Michael Prowse (Lombard, June 27) that the whole school curriculum

66 Malden Avenue, SE25

Sir, Ms Lisa Smith (June 21) objects to the reference to Mrs Clowes's clothing (June 17). This

### Figures are worth watching ...

From Mr D.M. Robinson. Sir, According to Mr Jeremy is watched by 16m viewers as their main source of news first thing in the morning.

The figure could simply be a misprint, in which case I trust you will correct it. If 16m really is the figure being claimed by Mr Taylor, however, it should be challenged in the BARB (Broadcasters Andience Research Board) viewing figures produced by AGB Research for the BBC and ITV (week ending June 12) the top viewing figure for the week goes to Neighbours with

TV-am is shown, as usual, to be bumping along with 2.1m viewers on weekdaye, 2.3m on the Saturday, and 1.8m on the

The increasing tendency among producers of relatively low-rated television shows to

### issue with him when he dis-misses geography as something to do with the study of volcances. Dressed to effect

From Mr Iain Baillie.

type of objection misses the point of reporting. Reporting is about surely never a matter of mere economics; the reasons for and the effects of the "north-south divide" in Britsin; and the role of news and a woman's clothing is part of the news. The average clothing for a man is too dull to be worth reporting, but a woman will choose her clothing carefully the City in national and interna-tional affairs. May one suggest that Mr Prowse reads a modern to achieve the right impressi and that care deserves report. It would be sexist not to include lain Baillle, 52-54 High Holborn, WC1

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### One feature of a single currency market is less bland in its effect

Sir, In advocating a common European Community (EC) cur-rency, Mr Samuel Brittan says (June 23) that in a unified currency market such as the US. payments deficits between one region and another are automati-

cally and invisibly compensated by capital flows.

This will occur within the public sector accounts system, but in the private sector there is another feature of a single cur-rency market which, although also automatic, is less bland in

A region within a currency union (for example, the north east of England in relation to the UK) whose economy suffers a decline in competitiveness will have a "balance of payments deficit" with the rest of the union, which will automatically result that region to other regions.

injection of new enterprise stabilises the situation. ing a loss of competitiveness would automatically experience By contrast, a political entity which controls its own currency

which will automatically result and employment effects of declining a decline in that region's ing competitiveness, by increasexchange value of its currency to provide time to undertake reme-Unless the central government provide time to undertake remedecides to offset this outflow of dial policy measures to restore funds by various subsidy pay-ments, the region's economy will competitiveness. Thus, if there was a single currency controlled spiral downwards until some hy an independent federal

exogenous element such as the reserve bank, any nation suffer commensurate social consequences; whereas with monetary issue may, albeit temporarily, autonomy these consequence alleviate the immediate social could be moderated for a time. autonomy these consequences Many will feel that the automa-ticity of a common currency disemployment as expenditure — ing the domestic money supply cipline is on balance beneficial, and hence income — flows from and depreciating the foreign but we should all be aware of its consequences from the viewpoint of economic and social policy.

# FINANCIAL TIMES

Wednesday June 29 1988



# US bid to break Mafia hold on Teamsters

THE US government yesterday tion which they rejoined last year filed an unprecedented civil suit after a 30-year absence. seeking to wrest control of the More than half of the House is Teamsters Union from the Mafia on record opposing trusteeship The Justice Department suit and the Teamsters' formidable

seeks a court-ordered trusteeship political action committee is of the Teamsters and comes after pouring money into this year's three decades of ill-fated federal efforts to rid the nation's largest

The Justice Department suit,

with the Democrat-controlled eteering, including 20 murders, House of Representatives and in shootings, bombings, bribes, the AFL-CIO, the labour federa-extortion and misuse of union

trade union of its mobster connections.

The Teamsters have already liani, alleges that the Mafia has turned the suit into a major political hattle, mobilising support with the Democrat-controlled House of Representatives and in characteristics, including 20 murders, but her beautiful and the property of the suit into a major political hattle, mobilising support eteering, including 20 murders, but her beautiful and the property of the suit of the

The lawsuit asks a federal judge in Manhattan to order free last March, Mr Reagan's commiselections of new officers to the sion on organised crime recom-18-member hoard, and court mended the civil suit, orders to keep the Mafia out of There had been some doobt

support behind the President in the 1980 and 1984 elections. But

the union's activities.

about whether Mr Guiliani would mr Giuliani and other prosecutors stressed that the government took a year to prepare. Last was not seeking control of the month, after a 13-month trial, a was not seeking country of the month, after a 15-month trial, a union. "This is not an attack on federal jury in New York acquitted with the Reagan administration and several associates of charges once enjoyed close ties with the they had rigged Teamster Teamsters, whose president Mr elections. The Salerno case was Jackie Presser was the only considered a key part of the presmajor labour leader to throw his ent civil suit.

Robert Graham reports on tensions between Bahamas and the US

# Drugs scandal haunts Sir Lynden

mas, with its population of 240,000. A well-publicised request from the Cubans to open an air link between Havana and Nassau is under the rumour-mongers'

According to the conspiracy theorists, the Government of Sir Lynden Pindling is encouraging the Cuban link to signal displea-sure at the threatening noises coming from the US over a possible indictment on drugs charges. Sir Lynden laughs off this suggestion: "We are too small (vis-a-vis the US) to be machiavellian." However, Sir Lynden does not

hide his annoyance with the Reagan Administration and what he sees as a series of attempts to discredit him and to undermine his authority in the Bahamas, where he has been Prime Miniswhere he has been Frime Minister for 20 years. "The Americans all believe in the strongman principle and that when he goes all the soldiers will fall down... they seem to forget we have a parliamentary system and that I have been elected," be says with faciling.

with feeling.
The fundamental dispute between the Pindling Government and Washington is over drugs. There is no suggestion, for instance, that the Bahamas should threaten the treaty which permits the US secret submarine warfare testing facilities in the unusually deep tongue of the ocean between Andros and New Providence islands. But the dis-pute reflects the vulnerability of a small Caribbean state when a small Caribbean state when this year against Gen Manuel Washington seeks a scapegoat for Antonio Noriega, the Panamaits own inability to deal with a man strongman. His investigadomestic issue, in this case the

South Florida – as much as 100 Last month a Florida court tonnes out of 175 tonnes last convicted Mr Lehder for importyear. The Bahamian Government ing 3.3 tonnes of cocaine into the

pany every government move in a small society such as the Bahamas, with its population

The US position was spelled out before the Senate Appropria-Despite the impressive achievements in narcotics seizures and the climate of co-operation between our two governments on most anti-drug matters, narcotics-related corruption remains a serious problem in the Bahamas. The Bahamian Government has not dealt effectively with system-atic corruption which continues to make the Bahamas attractive

to drug traffickers."

Mr Paul Adderley, the Bahamas attorney-general, concedes that part of the cocaine gets through because the drug mafia is bribing people on the ground but he rejects any suggestion that corruption is generalised. In a recent reply to criticisms, Mr Adderley told the State Department."If corruption is needed to move cocaine and partingna. move cocaine and marijuana from Colombia and marijuana from Jamaica through the Bahamas by air and sea to the US, why is it not needed to successfully deliver these shipments into

The mutual accusations might have died down had drugs not become an American election issue and if a zealous Florida attorney, Mr Robert Merkle, had not sought to pin an indictment on Sir Lynden. Mr Merkle is responsible for one of the two drug charge indictments obtained tion is on the basis of testimony spread of drugs.

The bulk of cocaine entering der, a leading member of the bigthe US from Latin America transits the Bahamas en route for Medellin cartel.

Medellin cartel.

Last month a Florida court



Pindling: 'too small to be machiavellian'

US via the Bahamas, During the trial, a witness, (a convicted drug smuggler), alleged he had handed Sir Lynden a suitcase containing \$400,000 at a Bahamas casino in 1980. Three other witnesses also alleged that the Bahamian Government, including the Prime Minister, was taking money from Colombian drug dealers to facilitate transit of shipments to the

Sir Lynden describes these allegations with characteristic earthiness as a "load of cow's manure." Calling up his barris-ter's background, he picks holes in the witnesses' statements and maintains: "There is absolutely no basis for an indictment." Furmanure." Calling up his harrister's background, he picks holes in the witnesses' statements and maintains: "There is absolutely no basis for an indictment." Furthermore the controversy surrounding the indictment of Gen Noriega is likely to make the Reagan Administration cautious sion report, Sir Lynden maintains aberration," says one — will dantains gerously weaken the growing resolve to take politics out of his appeal on the islands as the father of independence, the man who has hroken white minority power and who has hold large numbers of black Bahamians to join the middle agricultural surplus problem of grotesque proportions. The allegations against Sir

Lynden relate

since the Bahamas follows the Westminster model of govern-ment Sir Lynden should have resigned. Otherwise they have to accept his denials of wrong-doing greater disclosure of his assets. Since the 1987 elections were

fought on the issues of corrup-tion raised by the Royal Commis-

incidents related corruption is eras between seven and nine years reputation of the Bahamas ago. In private, senior Bahamian officials admit that public morality was much looser then, when the likes of Mr Lehder arrived on the scene (to build a tourist comfort.)

### **US** crop calamity may bring bonus for EC By Tim Dickson in Brussels

TEMPERATURES of 105 degrees may be frazzling the American Midwest, threetening the grain harvest – but the drought is temporarily taking the heat out of the European Community's row

with America over farm trade. Commission officials, while anxious to avoid the impression annous to avoid the impression of cashing in on America's troubles, feel that in coming months they may be able to take advantage of the recent surge in agricultural commodity prices to offload some of their surplus stocks on world markets.

cally placed in the northern Significant savings could be made in the subsidies which bridge the gap between artificially high EC prices and the generally much lower levels obtainmented widespreed corrunties. ruption in 1984. The report docu-mented widespreed corruption estimates have yet been made right up to the cabinet. One of officially but the recent Ecu20 to the bones of contention between the Bahamas and the US is that a called "restitution" paid to EC profiling associate named in the exporters—made possible by the report, Mr Nigel Bowe, is wanted on drugs charges in Florida but has not been extradited.

The opposition believes that a called "restitution" paid to EC reflected in the Racal share price, and the equally important question of whether Racal management should be entrusted with as most been extradited.

The opposition between the cut in the so growth of Vodafone is more fully reflected in the Racal share price, and the equally important question of whether Racal management should be entrusted with as more than the pendomenal growth of Vodafone is more fully reflected in the Racal share price, and the equally important question of whether Racal management should be entrusted with as more than the so growth of Vodafone is more fully reflected in the Racal share price, and the equally important question of whether Racal management should be entrusted with as more fully reflected in the Racal share price, and the equally important question of whether Racal management should be entrusted with as more fully reflected in the Racal share price, and the equally important question of whether Racal management should be entrusted with as more fully reflected in the Racal share price, and the equally important question of whether Racal management should be entrusted with as more fully reflected in the Racal share price, and the equally important question of whether Racal management should be entrusted with as more fully reflected in the Racal share price, and the equally important question of whether Racal management should be entrusted with as first the full share and the could be entrusted in the restitution of whether Racal management shared the could be entrusted in the could be entrusted in the Racal share price, and the equally important question of whether Racal management shared in the restitution of whether Racal management shared in the could be entrusted i

outside the Community.

But more important in the longer term is the likely effect of the drought on negotiations to dis-mantle global farm subsidies in on his honour. Nevertheless, the premier's critics are still demanding a fuller response to the questions raised by the report. This leading indostrialised nations found that between 1977 and 1983 he and Lady Pindling had earned "approximately \$500,000 and has spent in excess of \$4m," most of this connected to a mansion in the select suburbs of Nassau. A case is on appeal before the Privy Council in London whose outcome could force Sir Lynden into spent in the EC view that speat of sisclosure of his assets. some farm subsidies (and the stocks they help to create) are not necessarily such a bad thing. Others fear that the current climatic conditions - "a short term

But until the scandal of drug tions in the early 1990s. As the related corruption is erased, the North American drought the Great Plains and the maize of the Middle West so the world grain price will rise, the Americans will remove controls on

One observer in the Commission fears a repeat of the early 1980s when the sugar price and other commodity prices shot upwards, the problems of surplus production appeared to have been "solved," and the timetable reporting pre-tax profits np 28 per cent to R633.9m (\$193.8m) for the year to March.

It is the flagship for three other Johannesburg quoted companies sighs another senior market man.

Technical and Industrial The short-term implications of the description of the strength of the description of the strength of the description of the de controlling stakes in a hroad-swathe of South African and vest is only starting to come in in international businesses. These include 10 per cent of Gold Fields of South Africa, the local offshoot of the UK's Consolidated Gold Fields.

vest is only starting to come in in the southern part of the Community so at this stage there is little export activity from the so-called free market (i.e. using export activity from the so-called free market (i.e. usi

around 1.1m. tonnes of cereals from its intervention stores, hat stocks at around 12m tonnes are not high by recent standards and there are signs that the Commission is pursuing a cautious policy while conditions remain so unstahle. The adverse impact of the drought already predicted on US durum wheat prodoction, however, suggests that the EC's 2m tonnes of durum wheat stocks

can be reduced.

In the event of other serious
US crop failures, much will
depend on how far the Americans from the D-Mark with a rise in the discount rate.

West German economists noted that the call money rates were anow near the 4.5 per cent level of the Lombard rate at which complete the Lombard rate at the

THE LEX COLUMN

# Weighing up the Racal case

There is no question that share holders in Racal are much better off than they were a couple of months ago. The shares are more than 40 per cent higher than they were before the announcement of the Vodafone flotation, and a pro-spective multiple of a chade under 20 times earnings is gener-ous indeed for a company with Racal's track record. However, there remains the question of whether Racal's recent actions are designed solely to maximise shareholder value, or whether there are other less selfless objectives, such as spoiling a potential takeover hid which might make shareholders even wealthier.

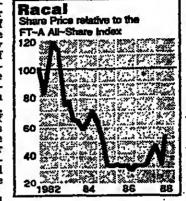
There is a danger that in all the excitement being whipped up

by the flotation, two issues are becoming muddled; how to ensure that the phenomenal appear more concerned with the niceties of pre-emption rights, and ensuring that the smart Wall Street investors do not make a fast buck at their expense, rather than with the larger question of whether Racal should be given so much money to spend on busi-nesses which are unlikely to be anywhere near as profitable as

Unlike most of its rivals, Racal can point to its success with Vod-afone and Chuhh to support its call for extra cash. However, the fact that Vodafone's stellar performance masked a dismal per-formance in the rest of Racal's business suggests that it might be better advised to raise cash by selling off some of its poor per formers. If, on the other hand, Racal really needs to tap the market, it has yet to make a convincing case against a conventional rights issue.

### Markets

As both the economy and the market were calling for a rise in base rates of a full percentage 9.5 per cent suggested to some that the Government must be stuhbornly committed to half point movements. While the



fearing that a larger jump to 10 per cent would have a spurious air of finality.
In taking the flexible option, it

risked upsetting the foreign exchange markets, but has got away with it thanks to the beating the dollar took from European central banks yesterday. The Bank now faces a comfort-The Bank now faces a comfortable combination of sterling fractionally stronger, and the money markets predicting higher rates with slightly less urgency than before. The timing of the next rise will depend on whether the Bundesbank takes the lead on the properties. Thursday, if not, rates may stay put for the next week or so. Meanwhile, yesterday's inter-vention seemed at first to have

been equally well judged; and even though the dollar was only squashed temporarily, the central banks do not seem to have banks do not seem to have thrown their money away. Part of the reason for the dollar's lat-est rise was doubt over the authorities' willingness to inter-vene after the Toronto summit. With the market already begin-ning to question how far the dol-lar can an originalize the threat lar can go on climbing, the threat of more intervention may put a stop to impulse buying.

### S&W Berisford

tor – despite the larger than life process has gone far enough to presence of Associated British rule out a broking merger, such Foods in the background as a sa the much touted one with the market is either bored with to say whether the strategy of the shares or frightened by them. Independence will pay off, but The answer seems to be both: the the same is true of agency hrohits of the business which pro- kers like Capel and Cazenove.

Announcing yesterday's interim results, the company was at pains to stress that its financial services division escaped black Monday with a small profit, and the stress of the stress o niack montaly with a state production is commodities operation is more physical than speculative, and the profits of its property division were 39 per cent higher than the previous year. But the market seems to look at all that and see only uncertainty for the future – which is slightly unfair given the amount of restructur-ing already completed, but proba-bly not unfair enough to justify a rating in line with the sector

to see what will help the shares better their current prospective rating of about 16 times excellen unless it is a bid from ABP. Las year's offer was dropped ostensi-bly because ABF was concerned about the impact of the crash on Berisford; now that those worries have been been laid to rest, another hid on the anniversary of the first must be a strong possi-

### Smith New Court Smith New Court's results con-

firm the picture of a firm holed by the crash, but not below the water line. The list of direct hits is fairly comprehensive: the BP underwriting, traded option losses, private client defaults and a £2m provision for unsettled bar-gains. Underlying all that, though, is a bottom line profit in the second half - starting in the week after the crash - of around 23m. This is pretty meagre, but should be sustainable on Smith's own working assumption that market volume this half year will be similar to last.

The chosen strategy is meanwhile being doggedly pursued: no lay-offs, and proceeds from mar-ket-making being ploughed into the hroking side. Growing an shares continue to trade at a 15 per cent discount to the food sector — despite the larger than 12. point movements. While the explanation accords with recent behaviour, it is surely a mistake to think the authorities have tied themselves down in this way. More likely, the Government chose a half point movement to give itself more scope next time, this of the nusuless which provide a steady stream of income — the approach is not, perhaps, as risky as it looks; should the going the excite, while those which could get really rough, an independent with Smith's share of the market would find it easier to form links than an integrated house would to dissolve them.

# New car telephone standard 'too tough'

THE INTRODUCTION of the who want to lay down highly planned Pan European Digital detailed specifications for the Car Telephone System, one of the new system.

flagship projects for the Euro"We share Mr Lundqvist's wor pean Community's 1992 market ries," Mr Mike Pinches, managintegration programme, is running into serious problems because of over-specification of Racal in the UK to work on digitechnical standards, according to tal mobile technology, said yes-manufacturers involved in the terday. "We think we can still

Mr Ake Lundqvist, head of the it will not be easy. I have been radio systems division of Erics- warning for some time that if we son. Europe's leading manufac-turer of mobile telephone equipment, said yesterday there was a clear risk that the new network would not be ready for launch on the target date of June 1991. The specification is suffering

from a burden of technical complexity that may be too heavy for the market to carry," he said. Mr Lundqvist's remarks, made in London at the Financial Times conference on telecommunications and the European husiness market, echo the feelings of other European manufacturing compa-nies working on the Pan-Euro-

Criticism has been muted so far because of the importance of are no longer concealing the fact that they have come into increasing conflict in recent months with officials from some of the network operating companies

World Weather

pean mobile telephone pro-

Agreement on the common regarded as a breakthrough in the plan for European industrial harmonisation. Officials argued that the project would help telephone equipment manufacturers in the project harmonisation that the project would help telephone equipment manufacturers in the project harmonisation. in the region, because they would be able to design and huild prod-ucts for a large, homogeneous market for the first time.

The manufacturing companie which have only recently been allowed a strong voice in Euro-pean telecommunications standards-setting, do not contest the importance of establishing basic specifications. But they argue that over-elaboration will stifle innovation at a time when it is important to speed up develop-ment to help stimulate the mar-

make the introduction date, but

are in doubt about a particular standard we should leave it out."

Europeans cautioned on liberal isation, Page 3

# Rembrandt to create European-based unit By antifold a tourist come Caribbean. Caribae. Caribbean. Caribbean. Caribbean. Caribae. Caribbean. Caribae. Car

added. He denied suggestions that the spin-off was also intended to dis-

UK and interests in a string of luxury, branded products including Cartier, Dunhill and Piaget.

Analysts believe Rembrandt's international portfolio holdings linvestments, alone would be worth some \$1bn, while the strategic stake in Roth-mans could add another £300m

Mr Johan Rnpert, managing director, said the mova was intended to put the group into the right position before the unification of the European Commu-

nity market in 1992.
"If you are not a major player in this market of 320m people you'll be dead. To be a major player you need the kind of clout that only the largest European companies currently wield," he

REMBRANDT, the secrative unnamed European stock South African tobacco-based con-exchange, as well as in Johannesglomerate, is to float off its inter-burg, but details will be revealed national interests into a new to shareholders only in August. European-based holding com-Rembrandt made the pany.

announcement yesterday while
The group owns a third of reporting pre-tax profits up 28 per
Rothmans International in the cent to R533.9m (\$193.8m) for the

Investments, Technical investment Corporation and Rembrandt Controlling Investments – which have major or
ments – which have major or wh

dated Gold Fields.

Mr Rupert, who is the son of Dr Anton Rupert, Rembrandt's founder, said: "The new gronp will rest, inter alia, on luxury goods investments, our Rothmans interests and financial services companies."

As a result of the new arrange.

As a result of the new arrange.

As a result of the new arrange guise its South African links.

Shareholders in Rembrandt's ble dividend payable to group four main listed companies will shareholders is expected to be offered shares in the as yet unnamed European holding company.

These will be quoted on an cents a share, up from 12.5 cents.

# West Germany expected to raise discount rates

Continued from Page 1

from the D-Mark with a rise in the Lombard rate at which commercial banks borrow short-term emergency funds from the Bund-esbank using securities as collat-

Such a move would irritate the US which pressed for assurances at last week's Toronto economic summit that the Bundesbank would resist further rises in interest rates beyond the 1/4 point increase in its repo rate.

The Bundesbank's view, how-

strong dollar, there will be continuing upward pressure on West German horrowing costs. It is also concerned to counter the risk of higher inflation generated by a weak D-Mark and to rein in the growth of the money supply.

European monetary officials said the success in arresting the dollar's decline created an inevitable pressure for interest rates outside the US to be pulled op towards US levels.

— and hence a rise in EC internal prices — is not being ruled out.

Recent increases in the world price of corn gluten and soya has inspired suggestions that demand by the animal feed industry for feed cereals will be given a boost. The prospect of greater "incorporation" of EC cereals into animal feed is increased by the current scarcity in the EC of skimmed milk powder, another competing ingredient.

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UP CHINAS FILI STRAMA E GLERMANI MCHANA SCREELES OR ERNERT SHRAN EDNOS HIMIS PEUPLES REPUBLIC.

UP CHINAS FILI STRAMA E GLERMANI MCHANA SCREELES OR ERNERTS SHRAN EDNOS HIMIS MINAMESTA SERAN

FILIA SIGNAM SIR REPUBLICA PARRESTAN SPAPILANEA CONTRES SUNGADURE MOLLONIONI FILIANI, SPAIN SELLANGA SHRATES SINGADURE

PAIN SELLANGA SHREERIANDO TANKANS THAILANDS I GANDA SINGADURE MOLLONIONI FILIANI, SPAIN SELLANGA SANGAR SINGADURE

L'NITELISTIATES OF AMERIKA S'ANI'NTU S ZARRE SZAMBAS ZINGABNE







# SECTION II – COMPANIES AND MARKETS FINANCIALTIMES

Wednesday June 29 1988



# IBM moves to broaden scope of patent portfolio

in the US and 23,000 worldwide. appears to be Risc, a radical

dling system probably needs to of BM patents and of IBM's poluce an IBM patent."

While bundreds of companies

Tessonable terms and conditions of the condit

Tha current focus of IBM's

Several major computer com-panies, including Hewlett-Packard, Sun Microsystems and Motorola have adopted Risc for their latest processor designs. BM researchers invented Risc in the early 1970s and the com-pany holds more than 12 "early and key patents" on the technol-ogy. in addition, IBM says that it has filed applications for about 100 more patents relating to Risc. IBM's patents go well beyond

ogy fundamental to the computer industry.

Dallas. However; the approaches have been highly tentative and any purchase would seem to be a very long way off. First Republic, meanwhile, said it expects to report "sub-stantial further losses" in the second quarter following a \$1.5bn loss in the first quarter, according to Mr Al Casey,

Citicorp in

Texas bank

CITICORP, the biggest US commercial banking group, has approached First Republic-Bank with a view to a possible acquisition of the insolvent Dallas-based bank holding

company.

Although Citicorp has refused to comment publicly on the possible acquisition, some of the bank's officers have been studying First Republic's books since the beginning of this week, according to industry observers in

talks with

troubled

"Preliminary indications show substantial further losses as we continue the restructuring to put the bank in as sound a condition as possible," he told the annual meeting. The Federal Deposit Insur-ance Corporation, the govern-ment agency which effectively took charge of First Republic's future when it initiated a \$2.8bn rescue last March, has said that it is talking to several groups which have expressed interest in buying the troubled bank.

Any potential merger part-ner, however, would certainly require large amounts of FDIC

In past negotiations, Citicorp's management has repeat-edly decided that the Federal guarantees on offer were not sufficient compensation for the risks of buying insolvent banks. The general view on Wall Street is that Citicorp will reach the same conclusion in this case.

Seaga revamps sell-off strategy

Canute James explains why Jamaica has engaged the advice of a UK merchant bank

ment's purchase of the local operations of Barciays Bank of the UK. This was followed last year by the divestment of the Caribbean Cement Company, the Samnel Montagn, the British merchant bank, has been hired by the government to assist in the divestment of the botels, Carlbbean Cement Company, the island's only producer, in which the Norwegian Cement Company took a 10 per cent stake.

The Government is keen to prevent any enterprise falling under the control of a single group or institution after divestment. So in the first part of the divestment of the NCS, the government prevented any purchases of more than 7% per cent after the programme failed to after the programme range to reach its target of selling off US\$1490 worth of state property last year. The government said proceeds from divestments for

Officials say the changes follow "slight hiccups" in the divestment programme. This is to be broadened in September when an offer will be made of between 10 and 15 per cent of the government's stake in Telecommunications of Jamaica, in which Cable and Wireless of the UK holds a 39

the year reached \$89m.

The programme is part of the Jamaican Government's effort to raise revenue to cut its fiscal deficit and remain within its agreement with the International Mondays which calls for a etary Fund, which calls for a progressive reduction of the defi-

a holding company responsible Mr Edward Seaga, Jamaica's Prime Minister and Finance Min-ister, has said the state enterfor state enterprises, said there was evidence that an attempt was being made to create a cartel

NCB. Mr Richard Downer, who sdvises the government on divestments, said no plans were in place because "... the state of the market is not now conduction to anything"

vent any groups of investors institutions from cornering the issue. Stockbrokars said they The Government is group or institution after divestment. So in the first part of the divestment of the NCB, the government prevented any purchases of more than 7½ per cent of the shares by any one group. That offer was oversubscribed with applications for 84.5m when only 30.6m were on offer for \$16.56m. The remaining the property of the NCB shares when only 30.6m were on offer for \$16.56m. The remaining the property of the NCB shares when only 30.6m were on offer for \$16.56m. The remaining the property of the NCB shares when only 30.6m were on offer for \$16.56m. The remaining the property is also seeking buyers for parts of the state-owned Jamaica Broadcasting connecting the state-owned Jamaica Broadcasting corporation, which runs the island's only television channel and one of its two radio stations, and prospective investors will also be able to buy the government is also seeking buyers for parts of the state-owned Jamaica Broadcasting Corporation, which runs the island's only television channel and one of its two radio stations, and prospective investors will also be able to buy the government of the NCB, the government of the NCB, the government of he NCB, the government prevented any purchases because they represented corporation, which runs the island's only television channel and one of its two radio stations, and prospective investors will also be able to buy the government is also seeking buyers for parts of the state-owned Jamaica Broadcasting Corporation, which runs the island's only television channel and one of its two radio stations. The divestment of the state-owned Jamaica Broadcasting corporation, which runs the island's only television channel and one of its two radio stations. The divestment is also seek-ing buyers for parts of the state-owned Jamaica Broadcasting corporation, which runs the island's only television channel and one of its two radio stations. The divestment of the state-owned Jamaica Broadcasting corporation, which runs the properties of the state-owned Jamaica Broadcasting corporation, which r 49 per cent of the NCB shares were offered earlier this year but withdrawn amid indications that

THE JAMAICAN Government late 1968 with the successful sale supported this," he said. "Given to Jamaican institutional and pri-this we decided to withdraw the payment for the property in forcitive sing problems with the sale of half of the island's largest commercial bank and an apathetic response to an offer of 13 hotels.

In the successful sale supported this," he said. "Given purchasers make a part of the payment for the property in forcitive which will be difficult for local decided if and when it will make purchasers operating in an economy strapped for foreign exchange.

The Government has not yet which will be difficult for local purchasers operating in an economy strapped for foreign exchange.

The Government has turned to divestments, said no plans were in place because "... the state of the market is not now conductive to anything."

There is no indication what protective measures the National investment Bank will use to pre
The Government has turned to Samuel Montagu in an effort to assist buyers of the hotels. "The British bank is assisting in marketing the hotels," says Mr Oliver Clarke, head of the Hotel Divestment Bank will use to pre
The Government has turned to Samuel Montagu in an effort to assist buyers of the hotels, "says Mr Oliver Clarke, head of the Hotel Divestment Bank will use to pre
The Government has turned to Samuel Montagu in an effort to assist buyers of the hotels. "The Government has turned to Samuel Montagu in an effort to assist buyers of the hotels. "The state of the market is not now conductive to anything." or to raise foreign exchange for

The Government is also seek

owned resort hotels is the largest part of the programme and government officials say it could involvement has not prevented raise about \$150m. One property the Government from moving in has been sold, but the offer has the opposite direction when it not been received as enthusiastifieds it must. It has bought a 44 cally as the administration had per cent stake in s local bauxite hoped because of an apparent refinery owned by Aluminum interest in leasing rather than Company of America, which was outright purchase.

Mr Seaga said the speed of the pute with the company over the hotel divestment programme had been affected by the need to put the properties accounts in order. Government paid \$26m for its But the effort has also been share of the facility, in which it prises which are being sold do in NCB shares. "Several applibeen affected by the need to put just over three years ago. The not need public sector involvement had attempted to act in the properties accounts in order. Government paid \$26m for its ment for their continued operation. The divestments began in sistency of a large number of bids delayed by the requirement that already held a 6 per cent interest.

### INTERNATIONAL Business sonal computer and Risc minimising the number of Machines, in a statement that appears to have broad implications for the entire computer inform them of its patent claims. industry, yesterday said it IBM confirmed that it had con-believed that "anybody who is tacted makers of Risc systems as developing an information-han- a "first step, to make them aware speed computing.

already have patent licensing agreements with IBM, the world's largest computer company, it seems determined to broaden protection of its patent portfolio.

"A second step, which we have not yet reached, might be to talk to these companies about possible infringement," IBM said.

The current focus of IBM's IBM said it holds 9,000 patents petent enforcement afforts

Yesterday's statement follows approach to computer design that reports that IBM has spproached is quickly gaining support in the several companies in the percomputer industry. Risc involves

# BZW in share trade system

BARCLAYS DE Zoete Wedd, the London Stock Exchange market maker, has launched an antomatic share trading system system which it claims is the most

The BZW system, called Trade and developed with the stock processing bureau NMW Computers, is expected to go live next month. The exchange's system, called Best, for the 15 months. BZW's Trade involves an electronic form of the UK has been operating a small order processing system, called Best, for the 15 months. The exchange's system, called Saef, is due to start in November. BZW's Trade involves an electronic link between stockbroker

Trade and Saef are small order and market maker. The current execution systems — automatic, "touch" (best) bid and offar computerised methods for buying or selling small parcels of shares. puter system will be supplied to

tem which it claims is the most comprehensive yet, and represents direct competition for the Stock Exchange was not worried by sents direct competition for the Stock Exchange's own system. end" comprehensiveness that BZW believes gives Trade the edge over either the Stock Exchange or rival systems.

Costs for Trade are likely to be £1,000 a year software licence fee plus £200 (\$360) a terminal, £1,000-£2,000 installation and training costs plus network charges of 15p a transaction. Final prices for Saef have yet to be decided.

# MSA shares soar after it rejects bid

SHARES IN Management Science
America, a leading US seller of
applications software for maintrame computers, soared yesterday following its rejection of a
takeover offer from Computer
Associates International.

Associates International.

The board adjourned the overs since 1982, Computer Associates International.

The board adjourned the overs since 1982, Computer Associates International.

City suburb of Garden City, has more time to study new agenda
tiems. One, for example, would

The board adjourned the overs since 1982, Computer Associates International.

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The board adjourned the overs since 1982, Computer Associates International. Associates International.

MSA's stock rose \$4% to \$11% allow the board to study the inheavy early trading. CA's offer integrity, experience and compectal year ended last March 31.

# Racal to float Vodafone stake in October

RACAL ELECTRONICS, the UK US. electronics group is to float off 20

The UK group's plans to spin to 25 per cent of its telecommunion off the division, which largely cations division in October, in consists of the Vodafone mobile what looks set to be the largest telephone business, have been

what looks set to be the largest telephone business, have been ever non-privatisation issue on the subject of much institutional the London stock market.

Analysts yesterday estimated disquiet since Racal revealed its intentions in April.

Some saw the float purely as a device designed to head off potenissue proceeds of £400m to £500m. tial predators such as Cable and Wireless, the telecommunications of the Volta. fone float yesterday, beyond say-ing that the shares would be Yesterday Racal also reported offered both in the UK and in the a 38 per cent rise in pre-tax prof-

some investors were attempting

to gain control of more than 7% per cent of the assets.

Mr Mayer Matalon, chairman of the National Investment Bank,

etails of its plans for the Voda- group which recently announced

However, most other divisions

posted profit declines and the company's shares fell 5p to 340p. The board does not favour a rival scheme, proposed by its sin-gle largest shareholder, Millicom, for a demerger of the division but both plans will be put to shareeral Meeting in August. Institutional misgivings have

centered on the extent to which

31, mainly because of a near the flotstion is skewed too quintupling in telecommunica- heavily towards outside inves-

Sir Ernest Harrison, Racal chairman, said be would continue to discuss with shareholders the extent to which their preemption rights would be safe-

His remarks were yesterday bolders at an Extraordinary Gen- cautiously welcomed by institu-Lex, Page 20, Background, Page 27

These securius have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

**NEW-ISSUE** 

27th June, 1988

# FUJI PHOTO FILM CO., LTD.

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S.G. Warburg Securities

Goldman Sachs International Corp. The Nikko Securities Co., (Europe) Ltd.

Bank of Tokyo Capital Markets Group **BNP Capital Markets Limited Credit Suisse First Boston Limited DKB** International Limited **Kredietbank International Group** Mitsui Finance International Limited J.P. Morgan Securities Asia Ltd.

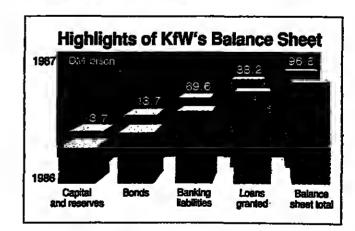
Union Bank of Switzerland (Securities) Limited

Yamaichi International (Europe) Limited

Well Prepared for further Growth

> In 1987 KfW succeeded once more in reaching its goal for the year and at the same time strengthened its potential for future development. Domestic investment loans were concentrated in two areas: small and medium-sized enterprises (DM 5.0 billion) and environmental protection (DM 2.1 billion). German exporters benefited from total credits of DM 3.2 billion. Development assistance funds appropriated by the Federal Government (DM 2.7 billion) were mainly used to finance projects in Africa and Asia, including for the first time structural aid to improve the macro-economic framework.

In the coming years KfW will see a considerable increase in domestic investment loans - not least as a result of the DM 21 billion financial programme for local authorities and small and medium-sized enterprises launched recently by the Federal Government.



A copy of KfW's 1987 Annual Report is available upon



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give us as much satisfaction as turning cancer against itself.



### INTERNATIONAL COMPANIES AND FINANCE

# Generali puts a brave face on failed Midi bid

MR ENRICO RANDONE, the 77year-old chain-smoking chairman of Assicurazioni Generali, refused to answer a volley of queEurope's third biggest insurance group, yesterday spent several hours trying to put a brave face on the Italian insurer's failed attampt to schieve control of

Stake in Midi.

But he shrugged off hostile all pay a total of L599bn (\$461m) icantly, giving Axa 28.6 per cent cent all pay a total of L599bn (\$461m) of Midi and raising the cost of questions about Midi from share-holders attending the Generali advice of Lazards Frères of Paris

diluting the Italians' share significantly, giving Axa 28.6 per cent of Midi and raising the cost of questions about Midi from share-holders attending the Generali.

on the Italian insurer's failed attampt to achieve control of Compagnie du Midi, the diversi-fied French insurance company.

The poker-faced Mr Randone, whose beloved Generali is the world's second biggest insurer in terms of market capitalisation (\$15.1bn), often insisted ha had committed no insisted had acquired.

The midi sample for the more stopped in their attempt to win effective control of Midi when the insurer nerged with Axa, another French group, thus diluting the Italians' share significant size at the more stopped in their attempt to win effective control of Midi.

The Midi saga has seen Generali, Mediobanca and Lazards had acquired.

Generali, Mediobanca and Lazards had acquired.

Italians' had acquired.

Acquire

The Bank of France's credit committee has placed a ban on Generali acquiring more than 10 per cent of Midi, a move that the Trieste-based insurer is appealing. But French bankers have said in recent weeks that Generali legal action in France despite the ony."

The only thing Mr Randone would confirm yesterday was that Generali is going ahead with legal action in France despite the fact that a Paris court last week ali lost its chance ot gain control of Midi some months back by not threw out an attempt to stop the launching a public takeover bid.
"The public takeover bid," said

Midi-Axa merger deal.

Meanwhile, Generali shareholders yesterday approved a
L1,100bn jumbo rights issue "The public takeover bid." said
the stern Mr Randone yesterday,
"is an aggressive form of finance
and is not in the Generali style."

Mr Alfonso Desiata, joint managing director of Generali, followed
his chairman's pronouncement to by declaring that "99 per cent of
the takeover bids launched in the
world are strictly financial

Meanwhile, Generali shareholders yesterday approved a
L1,100bn jumbo rights issue
designed in part to fund the purchase of shares of Midi. Generali
r's consolidated group net profit
to L8.6bn, while total premium
income increased by 23.9 per cent
to L9.717bn.



has purchased the assets of

### Salada

a subsidiary of Kellogg Company

The undersigned acted as financial advisor and arranged the financing for Risdco Foods, Inc.

**Chemical Bank Investment Banking** 

Chemical investment

BANK

### Saurer to raise funds in stages

By Our Geneva Correspondent

MR TITO TETTAMANTI, the Swiss financier who took control of the Saurer engineering com-pany in March, has formulated a three-stage plan for its capital restructuring and its transforma-tion into an industrial, services

and investment group.
Saurer Group Holding (SGH),
the new company founded by Mr
Tettamanti in June after he had bought a 58.6 per cent stake in Adolph Saurer for around SFr82m (\$55m), will raise SFr159m in shareholders' equity

SGH will increase its share capital to a nominal SFr105m. In a first step, which will raise SF136m, Adolph Saurer share-holders will be offered one new SGH share in exchange for five terday announced a price of companies in the group, SFr1,000 (\$666) a share for the first public equity offering by of Inspectorate bearer shares and SFr1,000 (\$666) a share for the first public equity offering by

old Saurer shares.

A second step will raise the pany of his group.

At the same time he reported a share capital to SFr8im through the issue of 450,000 registered shares at a nominal valua of SFr100 each.

At the same time he reported a net profit of SFr56.2m for 1987 and forecast net earnings of SFr100 each.

SGH ahareholders will be rate of five SGH registered shares for 20 exchanged Saurer registered shares and 25 SGH shares for 20 exchanged Saurer bearer for 20 exchanged Saurer bearer shares. The issue price will be SF7220. offered additional shares at the rate of five SGH registered shares will raise the share capital from SFr466m to SFr600m. A packet of 100,000 shares is

SGH will acquire in a third stage 10,000 registered shares in Sulzer, the engineering group which Mr Tettamenti stalked for months before selling a 20 per cent to Mr Werner Rey, the Swiss

mancier.

At the end of the exercise, same price of SFr1.000 a share is being made with Swiss and for eign institutional investors.

SGH's capital will comprise eign institutional investors.

92.800 hearer shares of nominal SFr500 each and 586,000 registered shares nominal SFr100.

The old Saurer company.

Swiss cantobank and 20 per cent of Sulzer, the Swiss engineering from seven countries proup.

Recently Omni increased to 85 per cent its stake in Omnicorp, the New Zealand company which deputy president of Akzo's fibres rent shareholders in International Laint-dumping duties on imported polyester from seven countries including Mexico, Talwan and Turkey — has alleviated the prespect of the New Zealand company which deputy president of Akzo's fibres rent of Sulzer.

The old Saurer company, divested of its truck and diesel engine operations, will form the industrial core of the SGH group. Its services business will be based on Naco Capital, which will change its name to Saurer Corporate Finance.

### Kvaerner doubles profit

By Karen Fossii in Osio

KVAERNER INDUSTRIER, the Norwegian engineering, shipping and shipbuilding group, doubled profits before extraordinary charges, to NKrittin (\$15.2m) in charges, to NKr10lim (\$15.3m) in the first four months of 1988 from NKr52m in the same period last year. Turnover increased by nearly 18 per cent to NKr1.85bn.

At the net level, profits totalled NKr95m, up from NKr50m. Orders in the period reached NKr95m whila total order reserves rose to NKr5.4bn. By the end of April, Kvaerner had amassed NKr1.8bn in liquid reserves and NKr335m in unutilised credits.

The group is about to complete the acquisition of British Shipbuilder's Govan yard in Glasgow.

The two groups plan to swap share stakes with GAN taking around 10 per cent of SAI and SAI in return taking a somewhat smaller stake in GAN International, a new holding company which is being formed to include the French group's foreign holdings.

A direct stake in GAN is ruled out because of the company's state ownership, but like the largest state insurer. Union des Assurances de Paris (UAP), the group is able to form partnerships through its subsidiary.

.2

# French housebuilder seeks tender offers

BY WILLIAM DULLFORCE IN GENEVA

is not comparable with 1986 because of radical changes in the

inal value of SFr500 each. This

being reserved to cover a future

convertible loan issue. A private placement of 48,000 shares at the

BY OUR PARIS STAFF

GROUPE DES Assnrances Nationales (GAN), the third larg-est of the French state-owned insurance companies, has signed

a partnership agreement with Societa Assicuratrice Industriale

The two groups plan to swap share stakes with GAN taking

(SAI), the Italian insurer.

1-for-50 for holders of its partici-pation certificates. At ACMV, bearer shares give a 1-for-20 right

while holders of ACMV registered shares can obtain 1-for-100. The period for subscription is

Omni Holding, the parent com-

pany, posted a net profit of SFr18m in 1987 while the consoli-

dated balance sheet revealed

shareholders' equity of SFr788m, and total assets of SFr1.3bn.

ousted in the May elections, had hoped to privatise the state insur-

ance companies but, thwarted by the atock market crash, had authorised them to open up the capital of their subsidiaries. The partnership is expected to involve SAI using GAN's net-work of agencies in 17 different countries

SAI is controlled by Mr Salva-

dore Ligresti, the former Sicilian property developer turned insur-ance magnate. Mr Ligresti holds

44 per cent of the company, with a further 22 per cent controlled by a Dutch Rothschild company.

Compagnie Financière de Suez expects to increase parent company net profits before exceptional items by 30 per cent this year, the French banking and

investment group said yesterday. For 1987 uet profits totalled

from June 29 to July 5.

property development empire up for sale.

(\$487m) sales in 1987.

Maison Familiale said last week Mr Leroy would tell the company's annual meeting on the capital of its housebuilding, property loans and insurance property loans and insurance the past needed new partners in the sale by Midial of the Poulain in the last year. It was used for in the investment in the sale by Midial of the Poulain the sale by Midia

Swiss financier sets a

price on Omni Holding

MR WERNER REY, tha Swiss de Construction Mécanique de

financier and industrialist, yes- Vevey (ACMV), the two listed

tional inspectorate and Ateliers ILG in turn owns Air Europe.

French insurance group

in Italian joint venture

Akzo steps

up fibres

shake-up

By Alice Rawsthorn

polyester plants.

In addition to 59 per cent of Inspectorate and 73 per cent of ACMV, Omni owns 100 per cent of Jean Frey, Switzerland's third largest publisher, 40 per cent of Swiss Cantobank and 20 per cent of Sulzer, the Swiss engineering group.

Of West Germany and Rhone-Poulence of France, has faced static prices for the past three years due to increased competition from imports.

Last week's decision by the European Commission to impose anti-dumping duties on imported polyester from seven countries.

AKZO, tha Dutch chemicals group, is accelerating tha restructuring of its fibres inter-

ests involving its withdrawal from the polyamide textile mar-ket and the modernisation of its

The group also intends to increase its polyester prices to the textile industry by between 7

and 8 per cent by the end of this

year. Akzo, like its fellow Euro-pean polyester producers Hoechst of West Germany and Rhône-Pou-

ficult" to have increased prices without the anti-dumping action.

Static prices contributed to

Akzo's problems in fibres last year. The profits from its fibre business fell steeply, reflecting higher costs and increased

import competition. Akzo has responded by intensifying its

Mr Stark said further rational-

isation and modernisation was essential if the European indus-

try is to secure the productivity improvements needed to remain competitive within fibres.

Akzo has brought forward the closure of its polyamide plant at Emmen in the Netherlands to the

end of this year. Initially it had intended to close the plant by

It is also accelerating the modernisation of its polyester plants in Oberbruch in West Germany and Emmen. This programme, which will cost DM350m (\$194.4m), is designed to improve

quality and cut costs. It will involve the loss of up to 1,000 jobs in the next few years. Mr Stark said all the job losses will

be through natural wastage. Akzo is modernising its Span-ish fibre operations and intensify-

ing its research work.

efforts to cut costs.

MR ROBERT LEROY, chairman order to expand.

of Groupe Maison Familiale, He is calling for tenders for individuals who want to build a low-income housing divisions.

France's third largest house these operations, which builder, is putting most of his accounted for around 80 per cent property development empire up for sale.

(\$487m) sales in 1987.

Maison Familiale self busses from catalogue to individuals who want to build a low-income housing divisions.

The open bid technique has been used increasingly in France in the last year. It was used for the Poulse in the sale by Midial of the Poulse in the

This announcement appears as a matter of record only.



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Application has been made to The Stock Exchange for the whole of the issued share capital of the Company and for up to 575,000 additional shares being issued to be admitted to the Official List. It is expected that such admission will become effective, and that dealings will commence, on 6th July, 1988. In connection with the issue of the additional shares S.G. Warburg Securities may over-allot or effect transactions to stabilise or maintain the market price of the shares at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.

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### NOTICE

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 To establish a premium of L. 6.700 for the special savings shares of L. 10.000 each and to issue a maximum number of 2.000,000 according to article 7 bis of the bye-laws, available on request to employees who cease employment as from 30th April 1988, in payment of part of their termination compensation.

Rome, 30th April 1988

THE CHAIRMAN Nario Nesi

# INTERNATIONAL COMPANIES AND FINANCE

### Saudi offset investment companies to start soon

By Finn Barre in Rhyadh

THREE COMPANIES founded under the Saudi American offset investment programme should start by mid-July. according to Prince Fahad Ibn Abdullah, the programme

The programme was established in 1984 when the king-dom awarded a \$1.3bn contract to a consortium, led by Boeing, to build the Peace Shield com-mand, control, communications and intelligence (C3I)

kingdom's new Boeing-built airborne warning and com-mand system (Awacs) radar

mand system (Awacs) radar surveillance jets into the Saudi air-defence system.

The kingdom required com-panies competing for the con-tract to offset part of the con-tract cost with investments in high technology joint ven-

When the Boeing-led conser-tium won in 1984, it proposed a series of investments mainly

in aviation.

The first three companies to emerge are Al Salam Aircraft Company (Asac), Aircraft Accessories Company (AACC) and International Systems Engineering Company (Isec).

Asac will perform airframe modifications and repairs on

modifications and repairs on craft ranging from military models to jumbo jets. Capitalised at SE460m (\$122.6m), it will be half owned by Boeing Industrial Technology Group (BITG), the consortium partici-pating in the offset invest-

Saudi partners include Saudia, the national airline, with 25 per cent and state investment organisations. A 5 per cent stake will go to Sandi Advanced Industries Company, a publicly held company formed to channel private investment into offset compa-

AACC, capitalised at SE127m, is to be 20 per cent owned by BITG and 30 per cent by Dowty of the UK. Saudia is again among the local partners with 10 per cent.

Isec, a computer services supplier, will be a 50-50 joint venture between BITG and United Systems Engineering Company, a consortium of sev-eral Saudi computer compa-nies. Isec will be capitalised at

Their launch will be followed by that of Advanced Electronics Company (AEC), which will have a capital of SR530m and will manufacture electronics. Its first product is expected to be military com-munications equipment. Britsh companies are pressing hard for the contract.

Westinghouse will, in effect, lead the US involvement in AEC although BITG is the actual partner. The Saudi side includes National Commercial Bank and Saudia, with 10 per

A fifth and separate venture A fifth and separate venture under the offset programme will involve General Electric and Pratt & Whitney. They will hold a quarter each in the Middle East Propulsion Center, overhauling turbine engines in partnership with Saudia, which will also hold 25 percent.

The Sandis have also initiated an offset investment programme with the UK on the \$7.5hm Tornado fighter abcraft deal, but little substantial

# Salomon buys into NZ state bank

buy 20 per cent of DFC New Zea-

(US\$76.7m), which will be used to retire government debt.

The sale ends months of specu-lation concerning ownership of for DFC.

ship is dua to take place in

The majority equity partner injected into DFC through an will be National Provident Fund, New Zealand's largest superannuation fund, which will one the control of the entered against the control of the control o nuation fund, which will own the remainder. The price paid for the wholesale sell-off is NZ\$111.2m allocated to a staff share-pur-

> NPF has about NZ\$3bn in assets, compared with NZ\$2.5bn

DFC, which was originally set up

Mr John Perham, NPF chief
as a development bank in the executive, said the purchase

holding was to motivate manage-ment and staff to enhance the

crash of plans to float the com- pany NZ\$684n

SALOMON BROTHERS, the New 1960s but which now has extenYork investment bank, is the latest international player to gain a part in the New Zealand Government's privarisation moves, with a deal yesterday in which it will a deal yesterday in which it will but 20 per cent of DFC New Zealand South at the previously state-owned of the property.

1960s but which now has extensive treasury activities, especially risk for investors in NPF, which the told shareholders yesterday in the told shareholders yesterday own holdings in equities and steelmaker had a good order property.

The large management shareholders with the previously state-owned at the previously state-owned steelmaker had a good order property.

The large management shareholders yesterday in which it will be to take place in the leading independent of the previously state-owned at the previously state-ow that the previously state-owned steelmaker had a good order book, including a contract with Ferrostaal, the leading indepen-

dent steel distributor. value of the business, Mr Perham said.

The purchase, which will be settled in US dollars, follows the rejection after the stock market rejection after the stock market in a deal which will cost the com-

• Feltex International, the New change of name to Feltrax, Zealand carpet and industrial sought by the company in order group, has acquired a superb to reduce its identification with plant for half its cost when it textile and carpet production, which now provides only 14 per Steel from Equiticorp Holdings

# Riyadh plans further oil industry reshape

American Oil Company Minister.

(Aramco), is being reshaped in order to eliminate the overlapping anthorities of the two company responsible for three compa als (Petromin) and the Arabian

three domestic refineries - at Yanbu, Riyadh and Jeddah - as well'as three joint venture export refineries at Yanbu, Rabigh and

pledged in 1986 that he would three domestic facilities which reorganise the kingdom's oil are included together have a industry in order to move down maximum output of just over stream internationally and to increase domestic efficiency. The creation of Petroref follows

array of companies as it estabindustry at home.

SAUDI ARABIA'S oil refineries als, such as from the Mahd Adcompany as a further step in reorganising the kingdom's oil industry, writes Finn Barre in Riyadh.

The industry, which has been split between the General Organisation for Petroleum and Mineration of the pipeline while Sheikh als (Petromin) and the Arabian Ahmed Zaki Yamani was Oil Ahmed Zaki Yamani was Oil

Mr Nazer intends to turn company responsible for three panies.

It was announced yesterday ing lubricants and marketing. It that a new company, Petroref, would be established to embrace will be done with the mining

The only Saudi refinery that will not be part of Petroref will be the Aramco refinery at Ras Tanura, which has a capacity of 509,000 barrels a day (b/d). The three domestic facilities which

400,000 b/d. The creation of Petroref follows
Mr Nazer's establishment of Mobil of the US and has a capacSaudi Arabian Lubricants (SAL) ity of 276,000 b/d, Juhall (274,000 b/d) to merge the Inbricant refining b/d) has Shell as a partner and and blending activities of Rabigh (335,000 b/d) embraces Petronin. It also comes after the Sandle with Texaco earlier the Ras Tanura refinery may this month in which the Sandle Of the three export refineries,

this month in which the Sandis be combined into Petroref later, will take a half share in its Eastern US refining and marketing operations.

Mr Nazer's biggest task domestically is to reorganise Petromin, which accumulated a bewildering never brought into being.

array of companies as it estab-lished a reining and lubricants SAL has not been finalised. Sev-industry at home. Petromin was also responsible bined are joint ventures with for domestic marketing as well as Mobil, and financial details the extraction of non-oil miner remain unclear.

### **Multi-Purpose Holdings** sees better performance

MULTI-PURPOSE Holdings, the Malaysian investment group, expects a turnround in its financial performance in 1988 due to firm commodity prices and the tion improving Malaysian economy, said Reuter reports from Knala Lum-

pur.
I think we are now in the black," Mr Chan Hua Eng, chairman, said after the annual meeting. The plantation sector would be the leading contributor as prices bad risen well beyond expectations, he added.

MPH owns substantial inter-

However, the group has no immediate plans to seek new investments because of financial constraints. "We are in no posi-tion to invest heavily," Mr Chan

Of its subsidiaries, Mr Chan said Magnum Corporation was expected to revive after losses last year, due to the poor performance of a finance company unit and lower profits from gaming

In banking, Malaysian French Bank would set up more branches and was expected to do ests in Dunlop Estates and much better this year. It recorded Malaysian Plantations. The group reported a pre-tax loss of 29.0m 1987, arising from suspension of ringgit (US\$11.4m) in 1987, arising from suspension of interest on non-performing loans and provisions for bad and doubt-ful debts.

# Qantas renews drive for airline link-up

QANTAS. Australia's interna-tional sirline, expressed eager-ness yesterday to buy a stake in Air New Zealand, that country's two nations.

intends to sell at least 25 per cent of Air NZ and has asked for offers. A decision on the success-

Air New Zealand, that country's state-owned international carrier, AP-DJ reports from Wellington.

Mr John Menadne, Qantas had forced the countries to turn chief executive, said in a statement that the two airlines were natural partners and a link-up would bring economic benefits to both countries.

The impact of trading blocs like the European Community had forced the countries to turn away from traditional markets, he added. "This denial of our traditional markets has left us with much in common in seeking new amorphismities."

both countries.

He was speaking after leading opportunities."

The main benefits of a partner-ship would be improved tourist marketing, the increased ability to counter leading US carriers and the advantages of combining and the advantages of combining computer reservations.

computer reservation systems.

Mr Menadue said Qantas would offers. A decision on the successful bidder is weeks away, according to the State-Owned Entering to the State-Owned Entering to the State-Owned Entering to the State-Owned Entering the State Owned welcome New Zealand companies prises Ministry.

Among other companies to Zealand's airline. There was no

have shown an interest in the airline is British Airways.

Mr Menadue said a partnership would enable the companies jointly to market the South proposal to merge Quantas, Air NZ Pacific region, already one of the and Australian Airlines, a stateworld's fastest growing tourist owned domestic carrier.

### U.S. \$100,000,000

### African Development Bank

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By: The Chase Manhattan Bank, N.A. London, Agent Bank

June 29, 1988



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For the period 27th June, 1988 to 25th July, 1988 the Bonds will carry an Interest Rate of 8.1375% per annum with an Interest Amount of U.S. \$191.57 per U.S. \$50,000 (the original Principal Amount) Bond, payable on 25th July, 1988. The Principal Amount of the Bonds outstanding is expected to be 60.536235% the original Principal Amount of the Bonds, or U.S. \$30,268.12 per Bond until the Minerarch Payment Date.

Series 1986-1

### INTERNATIONAL CAPITAL MARKETS AND COMPANIES

S Korea's

comeback

# Eurodollar retreat clears way for remaining sectors

BY DOMINIQUE JACKSON

THE PERFORMANCE of the US dollar measurerised the Eurobond market yesterday. Concerted intervention early in

ank

the day by European central banks took the steam out of the dollar's recent rise and both the US Treasury bond and the Eurodollar markets retreated with the currency. This provided a boost for the non-dollar sectors of the market, although rising interest rates and inflationary fears limited their performance.

Nerves and uncertainties meant that their particular and uncertainties.

Nerves and uncertainties meant that trading across the board was dominated by professionals, and the virtual absence of retail investors deterred most syndicate teams. The day's new Surchand offerings were Eurobond offerings were restricted to a solitary Japanese equity warrant deal, an Ecu convertible and another largely pre-

sold yen bond. The sale of dollars by the central banks, with the notable exception of the Bank of Japan, sent the currency back from its recent eight-month peaks. Senti-ment was further undermined by worries about the US Commodities Research Bureau index which has been rising steadily as

the drought in the mid-western states of the US persists.

It was no day for new dollar straight offerings and many of the most recent crop slipped to trade well outside their fees. Although some short covering and a rise in the September futures contract later supported cash bond prices, most Eurodol-lar issues still finished the day

The spotlight in sterling saw a sharp reversal yesterday in

tion to the news with many dealers expressing disappointment that the Bank of England had

### INTERNATIONAL BONDS

failed to sanction a full percentage point rise in rates, now largely discounted in the money markets.

ment improved somewhat and prices finished an average of a ½ point better on a few spurts of concentrated buying. Dealers now expect a period of consolidation, although many said a further rise in interest rates to 10 per cent was not far away.

The retreat of the dollar was good news for the Euroyen mar-ket which has seen a bearish run recently in tandem with the dol-lar-denominated bond market rally. Prices firmed markedly early in the day, although some issues fell back from the day's highs later on.

Dealers said the sector was still proving too volatile to re-attract

West German bond markets

### Bergen Bank faces downgrading BY KAREN FOSSLI IN OSLO

BERGEN BANK, one of Norway's Bank's recent purchase of the largest banks, has been placed on the watch list for Standard & group subsidiary, Nevi, Poor's, the New York-based Scandinavia's largest finance and largest banks, has been placed on the watch list for Standard & Poor's, the New York-based credit rating agency, for potential downgrading of its current A1 said that Bergen Bank's purchase rating. The move follows Bergen the bank.

THE RESERVE

denominated bond markets was focused on rising interest rates following a widely anticipated '/ eight-month lows on Monday.' point rise in base lending rates to The concerted intervention by 9% per cent. The concerted intervention by central banks to keep tha US dol-9% per cent. Gilts eased in an initial reaclar in check was welcomed by dealers and both government and Euromark bonds ended the day about 1/2 point better.

The average yield on all outstanding public paper with maturities longer than three years dropped to 6.21 per cent. Speculation continued that the Bundeshank would reies its less discontinued. bank would raise its key discount rate by 1/2 point to 3 per cent at its policy council meeting tomor-row, but dealers said this was largely factored into bond prices already. Some even noted that this could further boost the bond markets if it provided support for the D-Mark on the foreign

Westdeutsche Landesbank led a DM200m three-year issue for one of its own financing subsidiaries. The 4% per cent deal at 100% is to be placed mainly within WestLB's own network of retail savings banks and is not

expected to trade widely.

Nomura International led a
\$50m deal with equity warrants
for Mutow, the Japanese mail
order company. The coupon on
the five-year deal is indicated at

4¼ per cent. Société Générale in Paris led a Ecu250m deal for Compagnie Générale d'Electricité. The coupon on the issue, which matures in 1996, is indicated between 5% and 5% per cent.

Late in the day, Bankers Trust led a Y10bn deal for Banca Nazionale del Lavoro, a four-year deal at 7½ per cent and 101%. The bond's redemption is linked to the Nikkei-Dow stock index. It is not expected to trade widely.
In Switzerland, trading was dominated by more interest rate uncertainty. Bond prices eased around % point on average in only moderate trading. Eksportfi-nans had a deal with currency warrants trading for the first time. The SF1100m five-year deal

closed at 97%, two points below

its 99% issue price.

# FT INTERNATIONAL BOND SERVICE

leasing company. An S&P official

Listed are the latest international bonds for which there is an adequate secondary market.

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l account of bond per share express sion rate fixed at issue. Prem - Percen

### intrigues market By Maggle Ford in Secul

SOUTH KOREAN companies returned unexpectedly to inter-national capital markets this week in a move which has intrigued foreign banks and financial firms.
Seoul, formerly one of the

most active borrowers, has stayed out of the international arena for more than n year as its current account surplus was used to pre-pay foreign Ways to adjust from a deficit economy were devised.

This week, bowever, the issue of a \$30m second tranche of the London-listed Kores-Eu-

rope Fund has provided a fur-ther opportunity for foreigners to invest in the Korea Stock ment bonds. The whole presentation was conducted in the manner of a television programme; an anchor-Exchange. At the same time, Samsung Semiconductor and numunication (SST), the microchip producer, launched a \$50m fixed-rate bond in the In Hong Kong, bankers reported that Posco, the par-tially privatised steel com-

pany, was seeking a \$270m syndicated loan.
The burst of international The French have become very activity was welcomed by for-eign bankers, who had increas-ingly felt that South Korea was turning away from its former policy of taking part in the international capital markets following the success of

its economic policy. The Ministry of Finance has not announced any new policy on foreign capital, but bankers believed that the appearance of the state-controlled Posco in the market was significant.

Posco normally raises investment capital through export credit funding associated with its mainly European

It recently raised about \$660m on the South Korean stock market under a partial flotation.

The ministry's policy in the past year has concentrated on the prevention of additional capital inflows beyond the current account surplus, because of inflationary fears. Funds raised by companies launching convertible Eurobonds were earmarked for spending abroad, such as on new plants.
It is not clear whether this rule will apply to the latest Samsung bond.
SST's bond marks the first

time a Korean company has Issued a fixed-rate dollar denominated bond, although floating-rate notes and convertible bonds have been

Although South Korea usu-ally follows the Japanese pat-tern in its international financial dealings, bankers noted that SST had launched the bond without a bank guaran-

The seven-year bond, carrying a 9% per cent coupon and 100% issue price, was lead managed by Crédit Suisse First Boston.

If this week's activity is part of a new strategy, bankers believe it may be a response to the opportunity of setting a new, more favourable bench-mark on loan terms in the light of Sonth Korea's eco-

nomic success.

It could also be an attempt to meet the needs of business for investment capital, at pres-ent under etrict government controls to prevent an increase

in the money supply.

The move may also provide a breathing space for the Government in the financial arena, where it is under strong pressure to introduce speedy liberalisation measures.

### **Antilles** tax decision has limited impact

By Stophen Fidler, Euromarkets Corre

CONFUSION in the Eurobond market abated yesterday as the impact of the decision by the UK tax authorities to end the current double taxation treaty with the Netherlands Antilles was recognised to be more limited than first

thought.
Estimates on Monday suggested that more than two

suggested that more than two dozen Eurobonds, issued by British companies since July 1984, would have been affected by the decision.

This would have meant the companies would either have to pay a 25 per cent tax on remittances of interest to their Antilles subsidiaries, or have called the bonds for early redemption.

However, some of these issnes were routed through Dutch enbsidiaries, which would not be affected by the move because there still exists a donble taxation treaty between the Netherlands and

tha Antilles.

Partly because of this, it is now clear, however, that the original estimates were too high. It is estimated that a maximum of five issues would be affected, and the total could be as low as two or three. Simon Holberton and Stephen Fidler on a bond sales drive in Paris

# French seek wider OATs appeal

FRENCH GOVERNMENT offi-cials take a slightly different atti-tude to the marketing of govern-ment bonds than do most of their

colleagues in Europe.

Earlier this month, some of the most senior Treasury officials sat in the rococo splendour of the Salon Imperial at the Interconti-nental Hotel in Paris to extol the virtues of French government bonds in general and Obligations Assimilables du Trésor, or OATs, in particular.

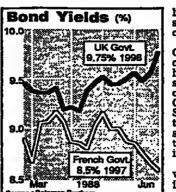
in particular.

This was no mere roadshow of the type to which institutional investors and financial journalists are often subjected. This was a "son et lumière" spectacle complete with large video screens on to which were projected descriptions of the French bond market and interviews with investors from Tokyo to New York on the virtues of owning French governvirtues of owning French govern-

man called on a group of foreign and local journalists to ask Mr Jean-Claude Trichet, the permanent secretary of the Treasury, and Mr Phillipe Jaffre, the head of the Treasury's monetary and financial section, about the mar-

serious about their bond market, reformed in 1986. The 12 Specialistes en Valeurs du Trésor, the Paris dealers in the instruments, and the French Government are eking international respectability for its bonds and foreign institutional investors to buy them.

The Finance Ministry believes the main benefits of the new system are threefold. It creates competition for stock through tenders and therefore achieves cheaper funding, while regular been significant buyers, remays, issue about 10 days ago asked that is why it was not felt necessions from five SVTs in Paris eary to take the roadshow and executed his sale without through London this year.



monthly funding corresponds better to financing needs than. it is part of a drive to internationalise France and to create greater

sophistication in financial mar-kets and industry. France has about FFr1,300bn (\$212bn) of outstanding govern-ment debt, equivalent to about 25 per cent of GNP, which is lower than most other leading countries. This year's 1988 budget deficit of FFr1,15bn is to be financed

by bond sales.
The Paris presentation represented the start of the 1988 camsaign to market French securities to investors in France and overseas, following last year's campaign which included presen-tations in Tokyo, New York, Frankfurt and London. This year, however, the roadshow is not visiting London.

The French Government'e sensitivity to market demands have been evident since OATs were designed during 1985 and 1986, after exhaustive study of bond markets and how they operate,

liquidity, all OATs issued in the having a significant effect on the same year are fungible, or intermarket.

of 1997 become among the most place outside rails, that said heavily traded securities in the systems of the international higher in Paris, and while this clearing agencies, Euroclear and means most foreign investors Cedel. (The SVTs clear through Sicovam, the domestic organisation, where there is n two-day suggest that London's share of the market has crown recently.

in options on the bonds. Last slur.
year, there were worries that the On

nmes on the Matif have cooled this year, partly because of a market scandal, so the balance between cash and futures market trading is now better drawn.

In its drive for international acceptance of its bonds, the French Government has been french Government has been french grant from the first of the f

Most dealers in Paris and Lon-This has helped the 9.8 per cent don estimate that 20 to 30 per OAT of 1996 and the 8.5 per cent cent of trading in the bonds takes of 1997 become among the most place outside Paris, the bulk of it place outside Paris, the bulk of it in London. Dealing costs are still

international market.) couple of years' experience, Pari-Liquidity has been helped by a sian dealers lack the expertise of very active Matif futures market their counterparts in London or in the instruments, and by a New York is regarded in Paris as growing over-the-counter market little more than an Anglo-Saxon

Matif, with a reputation as a both markets suggests that the highly speculative market, was two are different. The French too great an infinence on the market maker is more technical. underlying cash market. more inclined to make money
But speculative ardour and vol-

The lack of a developed repurhelped by a number of external chase market in Paris is still a factors. Falling inflation and the factor inhibiting liquidity. While it is possible to go short of bonds rates would be able to fall in in the cash market - sell them France, even as they were rising without owning them - it is elsewhere, are part of the picture. expensive, although measures to Reimposition of withholding tax lower the cost of doing in are in West Germany has increased scheduled to be introduced in the relative attraction of the

French market. British institutions, faced with Nevertheless, liquidity is probably higher than in any government bond market worldwide, save for the most active on the run issues in the US market. Prescui market and peesimism about the UK inflation and trade picture, also seem lately to have Dealers report, for example, that become convinced of the virtues one foreign investor selling of the French market and have FFr1bn of a less active French been significant buyers. Perhaps,

# Crédit Suisse to quote grey market prices

BY OUR EUROMARKETS STAFF

CREDIT SUISSE said yesterday it would start quoting grey market rices on Swiss franc foreign bonds from July 11, in a move expected to boost the liquidity and transparency of pre-market

Grey market trading - dealing in bonds before their official subscription period expires - is illegal in the canton of Zurich.

Until now, only a handful of smaller, foreign banks have noted grey market prices in onblicly offered Swiss franc

based operations. Credit Suisse will be the first leading Swiss bank to participate in the grey market, using an established office in Zug.
Although the Credit Suisse

decision is seen as something akin to an official sanction for the market, expectations that the other two leading national banks Union Bank of Switzerland and Swiss Bank Corporation

will shortly follow appeared premature yesterday.

A UBS official said the bank,

Credit Suisse's grey market entry before committing itself.

mission of the lead manager in onestion.

issnes, usually from Geneva- which is involved directly or indirectly with the majority of issues only quote prices for issues in in the Swiss franc market, would which it was not directly wait to assess the success of involved and only with the per-

> Most of the smaller foreign "Our involvement with so banks already operating in the many of the new issues makes grey market quote prices for all the question of our participation issues. J.P. Morgan Securities in the grey market highly sensi- (Switzerland), which also starts tive. Although a reasonable level up grey market trade from of volatility makes pre-market. Geneva early next month, trading viable in London, it is intends to quote for all fixed-rate still not clear whether this is the case in Switzerland," he said., be included at a later stage.

These securities have been sold outside the United States of America and Japan. This announ appears as a matter of record only.

**NEW ISSUE** 

28th June, 1988



HALIFAX **BUILDING SOCIETY** (incorporated in England)

Yen 20,000,000,000 5 per cent. Notes 1993

Issue Price 10114 per cent.

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Bank of Tokyo Capital Markets Group Barclays de Zoete Wedd Limited **BNP Capital Markets Limited Daiwa Europe Limited** Merrill Lynch International & Co. Morgan Stanley International Sanwa International Limited Sumitomo Trust International Limited

Citicorp Investment Bank Limited **IBJ** International Limited S.G. Warburg Securities

**Banque Bruxelles Lambert S.A.** Baring Brothers & Co., Limited Daiwa Bank (Capital Management) Limited LTCB International Limited Mitsubishi Finance International Limited Nippon Credit International Limited **Sumitomo Finance International** Yamaichi International (Europe) Limited

# **Crash cuts Smith New** Court profits to £7.6m

Smith New Court, the only large securities group which is inde-pendently listed, yesterday dem-onstrated that it had weathered the October stock market crash and its aftermath with less pain than most of its competitors. Its pre-tax profits for the year

to April 22 1986 fell to £7.6m, compared with £9.3m in the year to April 24 1987. Following the announcement, the share price yesterday fell 7p to close at 178p.

The pre-tax profit figure was reached after deducting £8.5m for losses suffered through the company's underwriting of the British Petroleum privatisation issna during the period of the crash. Other crash-related deductions was a false turnover, in the UK and overseas, since November. Its during the period of the crash. Other crash-related deductions was a false to remain profitable on the depressed volume of stock market turnover, in the UK and overseas, since November. Its share of UK equity trading may have risen slightly since October to more than 15 per cent. were £4.3m traded option losses which led to the dismissal of two dealers and £3m for client defaults caused mainly by tha substantially as a result of the first half, was boosted in UK equity research and broken believe of one large private client to settle loss mainly by the substantially as a result of the first half, was boosted in UK equity research and broken believe to settle loss mainly by the substantially as a result of the first half, was boosted in UK equity research and broken believe to settle loss mainly by the substantially as a result of acquisitions and rapid expansion overseas and in UK equity research and broken to settle loss mainly by the substantially as a result of acquisitions and rapid expansion overseas and in UK equity research and broken to settle loss mainly by the substantially as a result of acquisitions.

Belgian

acquisition

first half of Smith's financial year. If its losses are re-allocated, Smith made a pre-tax profit of £20m minus exceptional losses of to April 22 1988 fell to £7.6m, com-£14.8m in the first half-year and

clearing of the settlements back-log.

The stock market crash occurred in the last week of the of stock borrowing may have boosted profits by as much as £10m pre-tax during the year. Since the crash, the company has made no significant redun-dancies in its UK operations although 50 jobs have been lost in New York through rationalisa-tion as a result of its acquisition of Carl Marks, a broking firm. Mr Michael Marks, chief executive, said vestorias that the firm had

three years ago to nearly 1,200 today as a result of acquisitions inability of one large private cliinterest earned from stock borent to settle loss-making barrowing and its early delivery
gains. in addition £2m of provisions have been made to cover
borrowing stock - which is limpossible losses arising from the ited to market-makers - is parrecruiter over the last two years,



Tony Lewis, chairman of Smith

partly because its pay is so high. In 1987 it is estimated that the averaga remuneration was £54,000 per person on staff. The company's tax charge in 1987-88 rose to £3.02m against a previous £2.76m as a result of non-deductible property refur-bishment. Fully diluted earnings per share of 9.1p compares with 18.4p in 1966-87 and produces a net asset value of 156p. A final dividend of 5.5p per share has been proposed, maintaining last

total dividend of 8p

# Crest Nicholson up to £14.04m

gration, it was previously part of CH Pearce, bought at the end of

Interim pre-tax profits of Crest Nicholson, building and property development group, were sharply higher at £14.04m on turnover risfor Cadbury ing from £80.18m to £115.51m.
Mr David Donne, chairman, said seasonal factors and the timery and soft drinks company, is acquiring Schweppes Genval ing of contract completions had boosted the company's perfor-Benelux) and Genval Springs, a

mance during the six months to Belgian soft drinks company, for an undisclosed sum. The Genval plant near Brussels bottles Schweppes products and Genval has the rights to the Schweppes brand in Belgium and Schweppes brand in Belgium and Luxembourg, together with joint rights in Holland. Current turnover is £10m.

The therm dividend is being raised by 25 per cent to 2.5p. Fully diluted earnings per share moved from 4.52p to 10p.

The company expects by the

autumn to hear whether it has planning permission to develop The value of the net tangible assets being acquired will be approximately £5m at June 30 1983 when the deal should be

The acquisition is in line with Cadbury's strategy of owning production facilities on the Continent and also brings back to Cadbury the rights to its brands in

Luxembourg and Belglum. 18.4 per cent stake.

In the interim figures, residen-tial housing provided the biggest increase. This division has expanded outside the south-east com-muter belt into East Anglia, the West Country and the Midlands. The mild weather helped the construction division, which also began to reap the benefits of inte-

end-April. The results were also helped by the benefits of a £40m rights issue at the end of the There was a £735,000 extraordicomparable period last year.

The interim dividend is being nary item for the disposal of sub-sidiary companies and borrow-ings were substantially reduced by last year's rights issue to around £10m at the period-end.

comment

Crest Nicholson's admirable results could hardly have come it makes £35m pre-tax, should not at a less propitious time - what he chased.

with base rates going up to 91/4 per cent yesterday - which was presumably wby the shares closed unchanged at 229p. A ris-ing interest rate environment can only add to the drift in the house building sector, and Crest Nicholson in particular is disadvan-taged as it is already more highly rated than most. However, there is a strong school of thought that it deserves on fundamentals a yel better rating. Permission to develop its share of the Swindon site, which one analyst calculates could be on-sold to another member of the development consor-tium for about £50m, would positively transform its long-term prospects. However, caution sug gests the shares, on a prospective multiple for the year of about 8 if

### Australian side helps A Cohen to £3.3m

AIDED BY an "outstanding performance" from its wholly-owned Australian subsidiary, Nonferral, Cadbury has been the object of and by greatly increased profits bid speculation for some months. from related companies in the General Cinema, the US cinema UK, A Cohen, maker of non-ferand soft drinks bottler, has an rous metal ingots, lifted pre-tax

its 600 acre-stake in a 1500 acre

site outside Swindon, called the

987. The directors said it was diffi-Turnover rose 17 per cent from cult and potentially misleading to £49.2m to £57.74m. The dividend payment is time when commodity markets stepped up to 14.52p (12.1p) with a and exchange rates were so volaproposed final of 10.42p (3.4p). tile. However, the current year Earnings per 20p share improved had started well and should lead profits 25 per cent to £3.3m in from 66.1p to 91.2p after tax to a good first half result.

forecast the full year results at a

# programme continues at RTZ

By Clere Pearson

RTZ Corporation has sold its Thomas W Ward (Roadstone) subsidiary to RMC Group for £33.1m cash.

The shedding of its quarrying and road surfacing busi-ness means RTZ's drive to sell off all interests outside its core industrial and mining activi-

ites is virtually complete.

It has raised around £650m since the start of the year from disposals, although it has also spent about £260m on the purchase of MK Electric in January ary. The most important dispos

als were the £230m sale of Cas-tle Cement to a Scandinavian partnership in March, and the £308m sale of its oil and gas interests to Elf Aquitaine, the French conglomerate, the fol-lowing month. Earlier this month, it sold Everest, its dou-hie glazing company, for about

RMC, aggregrate and ready mixed concrete company, said it saw the purchase of Ward as a means of expanding the geo-graphical reach of its quarrying and coated roadstone activities as well as increasing its architectural stone capacity.

Ward made a profit of £1.59m, before a £0.27m excep-tional item and tax, in the year to last December. The book value of its assets, which are being revalued, is about £10m. Mr Derek Jenkins, RMC finance director, said Ward would increase RMC's annual capacity for producing limestone and granits by about 2.5m tonnes and of coated

stone hy approximately 800,000 tonnes. RTZ has not indicated to what purpose it intends to use the cash proceeds of its rapid divestment programme. At the company's annual meeting earlier this month, Sir Alistair Frame, chairman, said he did not believe in "hasty acquist-

Yearlings at 10 %%

The interest rate for this week's issue of local authority bonds is 10 is per cent, up 1is of a percentage point from two week's ago, and compares with 5½ per cent a year ago. The bonds are issued at par and are redeemable on July 5 1989.

# Divestment | S & W Berisford improves 10% to £47.12m in first half

end of March.

Mr Philip Aaronberg, chief financial officer, said the company was striving to find the right mix of its five disparate divisions to produce a more con-sistent, and better, profit performance

Aside from the dominant food

division, which made up about 64 per cent of the pre-tax figure, Berisford has interests in financial services, property, commodi-ties trading and first stage industrial processing.
The financial services division,

which incorporates leasing, development capital and insur-ance as well as securities, turned in £0.9m (£7.3m) at the pre-tax

Mr Aaronberg said almost all the downturn reflected the reduc-tion of Berisford's shareholding in Cresvale, the convertibles market maker. This aubstantiated Berisford's claim at the time of the hid from Associated British Foods last November that tha

profits in the six months to the lies and Mergers Commission end of March. decided not to proceed, with dom-inant shareholder George Weston Holdings citing uncertainty about the effects of the decline in world markets on Berisford's non-sugar interests as the reason for withdrawal.

British Sugar, the UK's largest sugar refiner, accounted for virtually all of the food division's \$30.4m (£27.3m) contribution. But Berisford said it was aiming for a third of the division's profits to come from non-sugar interests by the middle of the next decade.

Commodities, which mainly comprises trading for physical delivery in cocoa. coffee and sugar, provided £7.3m (£4.7m). The company commended itself on this performance in difficult. The company commended itself on this performance in difficult market conditions. Further rationalisation of non-core activities took place and metals returned a profit of £0.7m after an £8.8m loss in the last full financial year. financial year. The property division gave

S.& W. Berisford, the diversified group which owns British Sugar, yesterday reported a 10 per cent increase to £47.12m in pre-tax

Though ABF gained Monopomortiage financing produced a lower profit on realisation of the Tower gate development in Lamion. But mortgage financing produced a lower return and investments are considered. lower return, and investments a small loss, reflecting the excess of carrying costs over rental

Berisford said the division was diversifying its activities to produce more consistent returns.
Industrial activities achieved a
profit of £3.3m against a small loss last time as rationalisations

reached an advanced stage.
Group turnover, restated to
exclude commission income and
proceeds from dealing transactions, was £1.49bn (£1.39bn).

An £11.11m extraordinary item included £2m worth of bid defence costs, with the balance being reorganisation costs.

The taration charge increased

The taxation charge increased to 32.6 per cent (against last year's 24.2 per cent) but Berisford does not expect the rate for the year to reach this level.

The higher rate is reflected in a fall in earnings per share to 15.68p (16.25p). But the interim dividend is increased to 4.5p (4p).

# Munton expands into swimwear

Munton Brothers is to double its shares to the vendors. The £1.73m size with the acquisition of a casb element will be raised swinwear manufacturer for a through an open offer to existing maximum of £5.65m. This is the shareholders on the basis of one company's first substantial diversification from its roots as a shirt-maker since it was rescued. In total, the company's equity from preciparable in March less will arroad by 55 par cent and

Munton, whose shares had the misfortune to have performed worse than any others in London last year with a fall of 96 per cent, is buying Neal and Cooper and Cascadewear, respectively manufacturers and distributors of swimwear, leisurewear and knitted fabrics.

The initial consideration of

shirt-maker since it was rescued In total, the company's equity from receivership in March last year.

In total, the company's equity will expand by 55 per cent and net assets will double to £8.2m. The new group ought to be capitalised at around £10m.
A further cash consideration of

tranches, the second of which is conditional on the companies making aggregrate pre-tax profits of more than £1.5m in the two years to September 30 1969.

Last year, the two companies £5.25m is to be satisfied in cash generated pre-tax profits of and by the allotment of new £666,000 (after £150,000 in non-re-

curring remuneration for the corring remuneration for the vendors) on turnover of £4.58m. Yesterday, Munton itself reported sharply reduced pre-tax losses of £165,000 (against £373,000) for the six months to the end of March. Turnover edged up from £5.9m to £5.59m to

The results included an extraordinary loss of £441,000 on the disposal of Platform, making total losses of £506,000. The com-\$400,000 is payable in two pany is not paying a dividend. Munton's chairman, Mr Richard Beamlss said that the ration-

alisation programme - initiated when the company was balled out by Renaissance Holdings last year - continued space, Munton's shares added 5p to 50p yesterday.

### Irish Distillers spurns £173m offer

Irish Distillers yesterday rejected as derisory the formal 1£200m (£173m) offer made for it by Cantrell & Cochrane and Gilbeys, the Irish off-shoots of Allied Lyons and Grand Metropolitan. The offer is 315p cash per share.

Mr Joe McCabe, chairman of Irish Distillers said: "In due course, we will produce a robust response to this attempt to break

York Water offer

York Waterworks Company, statutory water authority, is seeking to raise a minimum of E3m via a tender offer of 3% per cent response to this attempt to break redeemable preference stock. The up the Irish whiskey industry issue is being bandled by and bny Irish Distillers at a Deloitte, Haskins and Sells, the trially provedictions and sells.



"CHELMSFORD . COLCHESTER .. CROYDON .. EPSOM . HERIFORO ... HOUNSLOW .. MAIDSIONE .

### YEAR TO 31ST MARCH 1988

11/1/10/10/1	142 1400111700	
Net revenue before tax	£24.73m	+17%
Total dividend for year	8.1p	+11%
Total property assets	£680m	+65%
Net assets per share	349p	+45%

"I am confident that your Company with its all round strengths and all round skills can look forward to a year of steady growth in both profits and assets." Richard Peskin - Chairman

> GREAT **PORTLAND ESTATES**

PROPERTY INVESTMENT AND DEVELOPMENT

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MAIDSTONE HOUNSLOW . HERTFORD . EPSOM



"The scale of our activities has continued to increase, most notably in the United States as a result of the merger between Carl Marks Inc. and Smith New Court Inc. The upgrading of our Tokyo office to branch status and the opening of an office in Sydney have helped to strengthen our position in the Pacific Rasin. Our Group strategy of widening the base of our equity activities remains unchanged."

A.J. Lewis CHAIRMAN 28TH ILINE 1988

The exceptional less of \$8510,000 areas following the Group's participation in the trademortality of the BP primitivation issue.
 The exceptionally high level of activity at equity market in 1997 led to a build up.

PRELIMINARY STATEMENT OF THE CON RESULTS FOR THE YEAR ENDED	SOLIDATED (	RVAUDITÉD
22nd APRIL 1988	1988	1987
Profit of the Company and its subsidiaries	5'000	₹,000
before exceptional items	16,029	9,199
Exceptional item	(8,510)	7477
Share of associated companies' profit	80	i23
GROUP PROFIT BEFORE TAX	7.599	9,322
Tax	(3,020)	(2,763)
PROFIT AFTER TAX DIVIDENDS	4.579	6,559
Ordinary Shares:		
laterian 2.5p(1987-2p)	(751)	(588)
Final proposed 5.5p (1987–60)	(1,652)	(1,765)
Preference Shares:	(1,571)	
Retained profit for the year	605	4.206
Earnings per share-basic		
fully diluxed	10.1p	22.3p
THE CHARGE	9.10	1840

# SMITH NEW COURT

PLC

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Copies of Annual Report & Accounts when published can be obtained from The Secretary, Smith New Count PLC, Chewwood House, 24 St. Swithin & Lane, London ECAN & A Ear from any of the local offices

Racal Electronics yesterday smounced a 38 per cent increase in pre-tax profits to £138m for the year to March 31 despite the fact that five of the gronp's seven divisions showed declines in operating profits, writes Philip Coggan.

The profits increase was effectively attributable to the telecommunications division, which Racal plans to float on the stock market as a separate company in October this year. the stock market as a separate company in October this year.

The division, which largely consists of the Vodafone cellular telephone business, nearly quintupled its operating profits from £10.17m to £50.29m despite absorbing start-up costs of over 54m in the the costs of over £4m in the th

man, said that the number of Vodafone subscribers had doubled from 79,000 to 158,000 during the year and he estimated that a further 100,000 net new subscribers would be recruited this year.

The only other division to record an improvement was the marine and energy division which recovered from a loss of \$4.96m in 1986-87 to a profit of \$4.26m last year. The improvement followed significant restructuring and cost

reant restructuring and cost reductions; the division also benefited from a pick-up in exploration activity as the oil price recovered from its weak-ness in 1986. A third boost to Racal's pre-

tax profits came from a pen-sion holiday which resulted in an exceptional credit of £12.26m. However, redundancy £8m of this figure and the net

Of the five divisions which experienced profit declines, the sharpest drop was in the data communications sector where operating profits fell from £44.08m to £31.35m. The fall in the US dollar knocked £3.5m off the division's profits and the Vadic subsidiary, which sells modems, suffered because of the stock market

The security division was also affected by the US dollar's weakness, which cut its profits by £1.2m. The Canadian business faced severe pressure on margins and profits were also down in Australia and Indonesia. Overall, the division's profits fell from £31.25m to profits fell from £31.25m to £30.47m but Sir Ernest was confident of an improvement in both profits and sales this

There were also profit

declines in defence radar and svionics (from £22.9m to £18.76m); radio communica-tions (from £6.7m to £8.25m); and specialised businesses (from £18.67m to £16.03m).

Group turnover was up 6 per cent to £1.37bn (£1.29bn). After cent to £1.37bn (£1.29bn). After tax of £48.48m (£35.77m), earn-ings per share were 25 per cent higher st 14.1p (11.3p). Tha final dividend is a recom-mended 3.37p, making a total of 4.455p (3.3p).

Sir Ernest said that the debt/ equity ratio at the end of the year was 58.6 per cent. The ratio was less favourable than planned because of the effect of exchange rate movements and because of the high pro-portion of sales in the last quarter which had not generated cash by the end of the

### Hugo Dixon examines the strategy behind the Vodafone float

# Cashing in on a treasured possession

A PANDORA'S Box of possibilities for the future of Vodafone, which requires continuing investment of about £50m the mobile telephone business, a year. Instead, it will be used has been thrown open by the decision of its parent, Racal, to communications and security float off up to 25 per cent of its businesses. telecommunications subsidiary

ingly beated debate over the as demerging the companies, issua has concantrated on its Racal could launch a rights issue, financial logic, there could also while selling Vodafone to Cable & be important industrial ramifica-

and New York.

However, the plan has stirred up disquiet among Racal's institutional investors. A rival plan, which has been canvassed by one of the largest shareholders in the would abdicate a relationship

& Wireless, the telecommunicaa third possicommunications. However, some
and Mercury Communications, the C & W subsidiary
which is British Telecom's only
UK competitor for providing
mainstream telegrams. tions group, recently took a stake nications were a natural spin-off in Racal has prompted market from the parent's work in defence speculation about a third possi-communications. However, some

Racal could, of course, also on the stock market.

And while most of the increasnative routes. At the same time,

Wireless would also raise substantial funds. However, Sir Ernest Harrison,

share price would have fallen if the company had announced a Racal argues further that it needs to retain control of Voda-

development. Mobile telecommu-



Sir Ernest Harrison: sell off ergies" between the two busiwould be tax efficient

or six of the other major Euro- that Vodafone has to use either pean mobile networks. Having a BT or Mercury to connect its separate quotation and the mobile base stations. Would it higher rating that went with it, not be simpler to have one large would allow him to swap a relatively small proportion of Vodatively small proportion of vodat company, is for a full demerger which we treasure."

between the two companies.

Vodafone, he argued, benefitMeanwhile, the fact that Cable ted from its parent's research and the mobile telephones market is mented arrangement? not as advanced as in the UK.

> It would also give Vodafone a significant advantage over Cell-net, its UK rival, which is owned and 40 per cent by British Telecom and 40 per cent by Securicor. BT has told Cellnet that it must confine its activities to the UK. Any pan-European deals will be done by BT direct.
>
> A moreon words, into both the BT and Mercury normal telecommunications networks. At present, he adds, Vodafone benefits from being able to play one network off against the other. 60 per cent by British Telecom

free to run its own business with out interference from a parent. Mr Whent, however, maintains that the management's proposal would also achieve this objective interference by Racal. "The rela-tionship between Ernest Harrison and myself is a major contribu-tion to the success of RTG," he

As for the third possibility - of merging Vodafone and Mercury C & W will not be drawn on the subject beyond saying that its 2.8 per cent stake in Racal is a "stra tegic investment". Revealing the stake, Sir Eric Sharp, C and W's chairman, said there were "syn-

Racal's answer is adamantly "no". Sir Ernest says that "we have the right by law to connect in other words, into both the BT

### **NatWest buys in France**

BY DAVID LASCELLES, BANKING EDITOR

National Westminster Bank has tion had been made because it bought five bank branches in represented an opportunity to France from Banque de l'Union expand in France. But it did not necessarily indicate a blueprint Europeene with assets totalling £180m. The price is not being dis-

The branches are in Lille, Lyon, Nantes, Strasbourg and Toulouse, and will bring Nat-West's French branch network to 12. NatWest was already represented in Lyon and Nantes.

for NatWest's expansion in Europe in connection with the single EC market planned for

NatWest is creating a limited company in France, National Westminster Bank SA into which The bank said that the acquisits branches will be grouped.

### **BAT** answers takeover criticism

BAT Industries, tobacco-based from local insurance regulators multinational, attempted during before taking over Farmers. The regulatory hearings in Ohio yesterday to head off criticism by its bid target Farmers Group by laying beavy stress on its ability to fund its planned \$4.5hn (£2.5hn)

Mr Leonard Arentsen, an executive vice president of BATUS.

1,000 people in its retaining and paper operations.

During the early stages of the bid, launched in January, members of the Ohio state legislature voiced opposition to BAT's plans because they feared jobs could be lost in Farmers' Ohio operations.

Ohio is one of nine states where BAT has to win approval

fund its planned \$4.5bn (£2.5bn)
takeover of the US insurer.

The British conglomerate also
tried to forestall local objections
to the bid by stressing its commitment to continue doing business in Ohio, where it employs
1,000 people in its retailing and paper operations.

Mr Leonard Arentsen, an executive vice president of BATUS,
BAT'S US subsidiary, said at the hearing that BATUS alone had
\$1.2bn in short-term investments
and net income of \$466m. About
\$1.25bn of the purchase price would be funded from BATUS's
short-term investments and inter-

0.5¢ 0.15\*

0.15\*

### **DIVIDENDS ANNOUNCED** Date Corres - Total Current of ponding for payment payment div year

	,				•
Alexander (Walt)fin	3.2	Aug 31	2.75	5	4.25
Berisford (S&W)int	4.5	Oct 7	4	-	14
Bridgend Groupfin	0.2	Aug 12	nil	0.4	0.2
Cohen (A)fin	10.42	Aug 30	2.4	14.52	12.1
Crest Nicholsonint	2.5	Oct a	2	-	. 5.7
Delmar §fin	2.34		2.15	2.34	2.15
Gardiner Groupint	0.25	Oct 10			
Halmafin	1.01	00.20	0.84*	1.64	1.36*
Irish Wire Prodfin	14	Sept 16	-	1	
Lees (John J)fin	1.05	Sept 10	1*	1.88	1.5*
	1.25	Aug 27	2.5	4	3
Lister & Cofin	_a_	Oct 3	2,0	*	മ്
Lowe (Robert)int	1.25	Sept 2	- 1	•••	چ
Millward Brown §fin	2.05		1.75	3.3	a
Northumbrian §fin	1.25	•	0.56	1.25	0.56
Oakwood Groupint	17	•	nil	-	1
Racal Electfin	3.37	Aug 17	25	4.46	3.3
Scott's Restfin	3.3	-	3.3	3.3	3.3

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §Unquoted stock. •Third market. ‡For lifteen months. • Irish currency

Local London Group PLC 881 KB 100 Market leader in serviced office management Local London's core business centre operations continue to generate strong profits. Our philosophy of intensive management of space has now been extended into the complementary areas of residential and industrial properties, marinas and storage We are confident that our formula will create excellent results for the coming year in all of our activities. Robert and Graham Bourne Joint Chief Executives If you would like to receive a copy of our 1987 Annual



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January, 1988

THE INDUSTRIAL BANK OF JAPAN, LIMITED INTERNATIONAL WESTMINSTER BANK PLC THE LONG-TERM CREDIT BANK OF JAPAN LIMITED MITSUI TRUST AND BANKING COMPANY, LIMITED MORGAN GUARANTY TRUST COMPANY OF NEW YORK WESTPAC BANKING CORPORATION

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**JPMorgan** 

lalf

new business areas of paging and private mobile radio. Turnover in the division more than doubled from £68.7m to

Shareholders in Racal are being offered two possible being offered two possible Racal's chairman, said yesterday schemes. The first is the manage that selling off 25 per cent would ment plan, unveiled yesterday, to be "tax efficient" and that the sell up to 25 per cent of the shares in the Racal Telecommunications Group subsidiary (largely Vodafone) through an offer of shares in both London needs to reta force because

March.

which is British Telecom'a only UK competitor for providing mainstream telecommunications. The Bacal management yesterday sought mainly to justify its plan on the ground that selling off 25 per cent of Vodafone was the most effective way of raising capital. Critics, however, suggest the move also has a defensive motive, to deter predators.

None of this extra capital will be devoted to the expansion of the devoted to the d

Airg July July July

**BOARD MEETINGS** PUTUME DATES

8.7 10.0

2.1 3.3 6.7 5.2 11.0

12.3 14.7 6.1 10.3 3.7

8.0 7.7 2.7 8.0 16.2

3.8 4.3

4.4 7.5 21 22.5 6.0 3.7 10.2 10.3

10.3 · 4.5 4.2 9.9 4.3 9.2 9.6 1.4 7.5

2.9 12.8 3.2 13.1

2.4 2.5 29.3 3.7 7.7 3.1 9.6 7.3 5.6 7.9

8.6

ity botd for the purpose of ids. Official indications are whether the dividends are

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as 8% rise in pet sales to FRF 4.936 billion, a 40% rise in pet income to FRF 458 million.

ste in the total payout. LEGRANO will be rating its dividend per share by

Mr. Obvier BAZIL. Chief financial officer, has been appointed to the Board of Directors.

mine,
Mr McAlpine will become deputy chairman of Warringtons and
Mr Christopher Edwards, McAlpine's fluance director, Mr Elwyn
Nicol, managing director of Connaught and Mr Raymund Dunn,
Connaught chairman, will join
Warringtons board of directors,

Connaught chairman, will Join Warringtons board of directors.
Losses per ordinary share at Warringtons were 36.1p (16.57p loss) in the period under review. No dividend has been declared.
Operating losses on contracting work were compounded by

ing work were compounded by the cost of overheads while the company ran down its contract-ing husiness. Mr Jackson said the

last of the building contracts would be completed in Septem-

Following the acquisitions, net tangible assets of Warrington

177°

Acquisitions seal

into property

BY VANESSA HOULDER

fi.55m from £498,000 previously.

In the largest of four acquisitions, Warringtons is buying the property activities of Alfred McAlpine, the construction, minerals and homes group, for £17m in shares, which will, after a placing, include £1.2m in cash.

The deal will make Alfred McAlpine a 45 per cent shareholder in Warringtons. This will allow McAlpina to expand its property activities and permit

allow McAipina in expain its schemes that would not previously have been financially possible, said Mr Bobby McAipine, chairman, it would also enable McAipine to continue to expand the main business activities by

its main business activities by investment and acquisition.

Connaught Commercial Develop-ments, a north-west and Mid-

Warringtons is also buying

Warringtons' move

# Trusthouse Forte HALF YEAR RESULTS

	Half year to 30th April 1988 £m	Half Year to 30th April 1987 Em	% Change	Year to 31st October 1987 £m
Sales	878	<u>775</u>	13	1,778
Profit before Taxation	_59	_43	37	_180
Earnings per share (ne	t) <u>5.2p</u>	<u>3.8p</u>	37	16.3p

The above figures are unaudited and accounting policies are as stated in the last annual accounts. The above full year profit and loss account is an abridged version of the Group's full been filed with the Registrar of Companies.

While the greater part of the year's profit is always produced in the second half of the financial year, in this first half we have achieved a good increase in trading and a general improvement in margins.

We look forward to a good increase in earnings for the full year from both our hotel and catering businesses.

The interim dividend has been increased by 15% to 1.76 p per share (1987: 1.53 p per share).



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# Trusthouse Forte

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### OFFER FOR SALE BY TENDER OF £3,000,000

71/2 per cent. Redeemable Preference Stock, 1997 (which will mature for redemption at par, on 30th September, 1997)

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yielding at this price, together with the associated tex credit at the current rate, £10 per card. This Stock is an investment authorised by Section 1 of the Trustee Investments Act, 1961 and by paragraph 10 (as amended in its application to the Company) of Part II of the First Schedule thereto. The preferential dividends on this Stock, which will rank pari passu for dividends with the existing Preference Stocks, will be at the rate of 7½ per cent, per annum without deduction of tax. Under the imputation tax system, the associated tax credit, at the current rate of Advance Corporation Tax (\*\*Institute of Advance Cor of the distribution), is equal to a rate of 21/2 per cent, per annum.

Tenders for the Stock must be made on the Form of Tender supplied with the Listing Particulars and must be accompanied by a deposit of £10 per £100 nominal amount of Stock applied for and sent in a sealed envelope to Deloitte Haskins & Sells, New Issues Department, P.O. Box No. 207, 128 Queen Victorie Street, London £C4P 4JX marked "Tender for York Water Stock" so as to be received not later than 11 e.m. nn Tuesday, 5th July, 1988. The balance of the purchase money will be payable on or before Thursday, 22nd September, 1988.

Copies of the Listing Particulars, on the terms of which alone Tenders will be considered, end Form of Tender will be available, for collection only, during usual business hours today and tomorrow from the Company Announcements Office, The international Stock Exchange, 48-50, Finsbury Square, London EC2A 1DD. Copies may also be obtained during normal business hours until 5th

Seymour Pierce Butterfield Ltd., 10, Old Jewry, Landon EC2R SEA.

Barclays Bank PLC, Mansion House Branch, 2 St. Helen's Square, York YO1 1XB. or from the Company'e Principal Office, Lendal Tower, York YO1 2DL. 29th June, 1988

This announcement appears as a matter of record only

June, 1988



### £75,000,000

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J. Henry Schroder Wagg & Co. Limited

# Schroders

# Halma reaches £9m after 'top bracket' performance

Halma, the safety, security and shares, we have done it without environmental control group, issuing shares. yesterday reported pre-tax profits Halma has five divisions. 41 per cent ahead at £9.06m for Safety devices accounts for about

oined Halma in 1972 when it was a shell company, said that some-times it was appropriate to cast "well beyond those which are achieved, or even aspired to, hy many other companies."

the year to April 2 1988. The 20 per cent of sales and profits, advance from £6.46m was made environmental control for 20 per on turnover up 38 per cent to cent, security (40 per cent), 550.82m (£36.86m).

Mr David Barber, chairman cent), and the US side with the and managing director, who, final 5 per cent.

Halma's product range includes Apollo fire and smoke commonplace for Halma were such as Boots and Marks and well beyond those which are Spencer; Castall key interlock

David Barber is proud of his because there is some element

imes it was appropriate to cast detectors; anti-theft devices such be highly acquisitive. He looks nodesty aside and point out that as the Volumatic counterfoil confor niche companies which can nany of the figures accepted as trol systems used by retailers be hought on attractive terms Spencer: Castall key interlock equipment, which controls access to areas with potentially dangerous equipment such as nuclear sites, oil rigs and refineries; Wilter and be cash generative, the latter used to continue the purchases. The policy is clearly a successful Earnings per share rose 31 per cent from 7.2p to 9.46p, net profit margins on sales increased to 18 per cent and overall return on capital employed advanced to 45 per cent.

"This puts us right in the top "This puts u "This puts us right in the top for cleaning circuit boards. unchanged last night at 155p, on bracket of performers," said Mr Tax took £3.24m (£2.28m). A a prospective p/e of about 12.5, at a premium to the mechanical of bow we bave achieved this growth. Others do it by issuing year of 1.64p (1.3p). unchanged last night at 155p, on a prospective p/e of about 12.5, at a premium to the mechanical engineering sector but well deserved.

Warringtons yesterday set the seal on its transformation from a completed the company's transformation building contractor into a property developer with the announcement of a series of acquisitions that will almost transple its size. Warringtons also announced its results for 1987, which saw losses increase to 51.55m from \$498,000 previously. In the largest of four acquisitions were a major step that completed the company's transformation out of contracting. "In the largest of a series of formation out of contracting. "In the largest of series of series of series of said. In particular, Warringtons would focus development on the 122 acres of the Chester Business Park it has bought from McAlpine." company's accomplishments, and rightly so. Since 1972 earnings per share have grown at a compound rate of 28 per cent, pre-tax profits at 30 per cent. Anyone bnying £16,000 worth of shares in 1974/75/76 and selling at any time last year or this would, at worst. have seen a £500,000 return, at best £2.5m. Barber's formula is to

# Interior designer set for market

Fowler, the interior design com-pany, is joining the main market motion of its fabric and wallpa-

worked at such exclusive venues as the Gallery at Chequers and

Administration

Millward Brown

costs slow

AFTER MORE than fifty years of the Queen's Audience Room at through the company's three furnishing the drawing rooms of Buckingham Palace.

Character More than fifty years of the Queen's Audience Room at through the company's three retail outlets.

Pre-tax profits heve grown

via a placing which values the group at £15.6m.

Now the group is just as likely to be doing design work on flats in the Docklands as on mansions in Rutland. The group has accounts in the UK – including interesting cheering cheering designs.

from £376,000 in the year to April 30 1984 to £1.48m last year, while turnover has risen from £4.66m to £11.38m over the same period.
Phillips & Drew is placing 3.7m shares, 30 per cent of the equity,

ments, a north-west and Midlands-based property developer, for £1.5m in shares. In addition it is buying a one third interest in Ryhall, which owns part of an office development in Gibraltar, for £1m in shares and cash. In another deal, it is buying office and retail space in Aylesbury for £1.9m in shares and cash.

Mr Graeme Jeckson, who joined Warringtons as chairman in February 1987, said the acquisitions, for tangible assets of Warringtons. Mel tangible assets of Warrington will be about \$30 per cent.

An extraordinary general meeting to approve the deal will be about \$30 per cent.

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An extraordinary general meeting to approve the deal will be about \$30 per cent.

An extraordinary general meeting to approve the deal will be about \$30 per cent. through more than 1,500 trade
accounts in the UK - including
interior decorating shops, design
consultants and stores - and

### Reorganisation benefits showing at Stormgard

Righer administration costs at Millward Brown, USM quoted market research agency, restricted profit growth to 14 per cent in the year ended March 31

Turnover advanced 38 per cent to £14.67m and gross profit rose 36 per cent to £6.77m. But administration charges up 43 per cent at 55.29m left the pre-tax balance at £1.41m (£1.24m).

In the current year the commy started well in the UK, both in tracking studies and in ad boc involved the disposal of the least business; prospects for the US profitable elements of its textiles tracking service continued to

gard reports markedly reduced losses for the year to March 31

charges. Reorganisation of this women's

at \$5.29m left the pre-tax balance at £1.41m (£1.24m).

Earnings declined to 12.3p (12.5p). The dividend is lifted to 3.3p (3p) with a final of 2.05p. In the current year the com-

The programme has also It was intended to further expand the European operations in the coming year.

It was intended to further to £3.71m from £9.68m. Stocks have also been reduced by £6m to £4.5m.

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**MIDLAND** 

nary credits (£78,000 dehits).

The bome furnishings and The loss came to £1.5m, compared with the previous £4.67m knitwear sector, where Glenmuir which included £3m exceptional sportswear has record sales and rder books, turned last year's losses of £99,000 to profits of £316,000. At E & A Richards, home demand for lace is steady and a sizeable US order has been

Losses in the garments and cut to £909,000 (£1.89m).

The recent printing and statio-nery acquisitions contributed £28,000 profit to the group's results in the last three months of the year and are matching expectations.

### Stockbroker? FOLLOWING A major review of Group turnover was down to the group's operations, Storm £24.17m (£45.85m). Losses per gard reports markedly reduced share worked through et 1,13p (3.52p), before £588.000 extraordi-An opportunity

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# Severfield-Reeve Pla

**Share Capital** Ordinary shares of 10p each Authorised: £1,100,000 Issued and to be issued fully paid: £950,000

Placing by Rensburg of 3,200,000 Ordinary shares of 10p each at 80p per share

Severfield-Reeve Pic is based at Thirsk, North Yorkshire. and its principal activities are the design, fabrication and erection of structural steel work, specialist

claddings and ancillary products. Rensburg has placed 2,400,000 Ordinary shares and has arranged for SBCI Savory Milln Limited to distribute 800,000 Ordinary shares.

Particulars of Severfield-Reeve Plc are available in the Extel Unlisted Securities Market Service and copies may be obtained during usual business hours (Saturdays excepted) up to and including 13 July 1988

Rensburg 11 Park Square East Leeds LSI 2NG

SBCI Savory Milin Limited New City Court 20 St Thomas Street London SEI 9RP

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(Registered in England and Wales under the Companies Acts 1948 to 1981. Registered no. 1870320).

placing by PHILLIPS & DREW SECURITIES LIMITED

of 3,707,400 ordinary shares of 10p each at a price of 125p per share, payable in full on application.

SHARE CAPITAL

Authorised

£1,650,000

in ordinary shares of 10p each

Issued and to be issued fully paid £1,250,000 The principal activities of the Colefex and Fowler Group are the design, marketing, distribution and retailing of furnishing fabrics and wallpapers; and interior and architectural design, project management, decorating and

Phillips & Drew, as agent, has placed 2,780,550 ordinary shares and has arranged for 926,850 ordinary shares to be distributed by McCaughan Dyson Capel Cure (UK) Limited.

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GROUP PLC

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Walter

# Finantal Times Wednesday June 29 1988

# Lister short of City expectations

Lister, Bradford-basel textiles towards a more stylised look. group, yesterday reported a 4 per cent decline in profits for the 12 production of accepting the true grain. cent decline in profits for the 12 months to March 26 - a year in which it has suffered a downturn in its hand knitting yarn busi-

in its hand knifting yarn busi-ness and intense competition from imports of acrylc yarn.

The group disclosed pre-tax profits of £3.11m (£3.5m) on turn-over of £49.22m (£0.83m). The results were below lity expecta-tions and the shars dropped 6p to 120p.

In the past year, he group has withdrawn from he hand knit-ting yarn marke, after more than half a centur in the industry. The decision followed a 40 vet, curtains, cushions, rugs, fur, per cent downtum in demand for silk and woollen fabrics and has hand knitting yarns, which stemmed from a general change in fashion away from handknits that the company in fashion away from handknits t

Bingley Mill, one of its two spin-ning mills, which was bought last April at a cost of about film.

The group has suffered from the industry wide decline in demand, following a change in

fashion. This has been compounded by the strength of sterling and a surge of cheap subsidised acrylic yarn imports. Last year about 4.500 tonnes of yarn arrived in the UK from Turkey, representing almost a tenth of

The results also featured an extraordinary credit of £8.6m, which principally stemmed from the £15.3m sale of a property in London's Oxford Street last Sep-

A final dividend of 3p has been recommended making a total of 4p (3p) per share for the year.

The chairman's claim that that the company makes profits

Alexander man, said that these divisions ful-filled and in the majority of cases, exceeded profit forecasts. Ridding the company of the problems areas should provide a sound base for the current year, he said.

rider" may seem a somewhat unlikely description of life for a struggling Bradford textile com-pany. Yet fast footwork and agil-ity are indeed vital for lister if it is to cope with the rapidly chang-he said. rises 14% to £6.5m Walter Alexander, the Scottish industrial group which came to the market last September, lifted its turnover by 31 per cent and pre-tex profit by 14 per cent in the year ended March 31 1988. the tidal wave of Turkish imports. Lister's drastic action in pulling ont of hand knitting yarns and closing down its Bingley Mill has, it bopes, dealt with much of the problem. And a shift to alternative fibras and co

to alternative fibres such as blended yarns may help counter the decline in demand for acrylics. But no spinning company can feel confident while cheap Turnover of this coachbuilding, filtration and home tex-tiles group rose to £95.39m (£72.86m) and the profit to £8.51m (£5.72m). The restraint imports are such a potential headache. And this is reflected in on the growth of the latter was the consequence of associates contribution falling to £151,000 (£593,000).

Earnings came to 15.3p (13.5p) and the final dividend is 3.2p for a total of 5p (4.25p). Mr Rouald Alexander, chair-man, said coachbuilding produced excellent results. Demand was beginning to return to the traditional mar-kets following the dislocation on de-regulation in 1986.

Filtration achieved record figures, and there were excel-lent opportunities for expan-sion throughout the division.

In DIY distribution increased margins offset lower turnover for record profits. Home textiles, however, fell short of its targets principally because of problems in the windows and doors businesses - now closed or sold.

# **Severfield-Reeve coming to** unlisted market via placing

North Yorkshire company which designs, fabricates and erects structural steelworks primarily for commercial and industrial buildings, is joining the Unlisted Securities Market.

Leeds stockbrokers Rensburg is placing 3.2m shares, representing 33.7 per cent of the enlarged equity, at 80p, to raise £2.56m. This gives the company a market capitalisation of £7.6m.

Of the 3.2m shares being placed, 2.1m are being sold by the four directors who run the busi-ness as a partnership. The 1.1m new shares placed will raise

Severfield-Reeve was founded

base at Dalton, near Thirsk, in base at Dalton, near Thirsk, in 1980. It is now on a 28 acre site and has invested more than £1m in the last 18 months on new buildings, plant and equipment. An integrated in-line system for cutting, drilling, handling and shotblasting structural steel has been installed, as has a computer controlled flat-bar processing plant which enables the autoplant which enables the auto-matic manufacture of connection

components to exact tolerances.

Severfield-Reeve, the Thirsk, £730,000 for the company for furmajor builders such as Taylor North Yorkshire company which ther expansion. Woodrow, Bovis, Tarmac, Balfour "We see a good future," said Mr John Reeve, chairman. "The steel and construction market is

pretty buoyant. Our order book is full till Christmas." group had grown during a period overlapping with a British Steel strike, a power workers' strike and a transport wrokers' strike. Pre-tax profits have grown in the past five years from £76,000 to

### £873,000 in the year to December 1987, on sales up from £1.7m to components to exact tolerances. S6.5m. At the 80p placing price, the historic p/e ratio is 11.3 times.

### John J. Lees at near £0.5m

Sales advanced srongly at John J. Lees in the yer to March 31 from £4.92m t £6.55m, and enabled pre-tax routs to rise by 17 per cent frm £415,881 to

The director of this confectionery manufcturer said the Heather Camern Foods subsidiary had a very successful year. A recommende final dividend of 1.25p make 1.875p (1.5p) for the year on arnings of 6.24p (6.32p restated

**APPOINTMENTS** 

### Midterm surge takes Robert Lowe to £0.75m

Robert H. Lowe, clothing manufacturer, recorded a pre-tax profit growth of 86 per cent, from \$\text{2402,000}\$ to \$\text{5748,000}\$, in the half year ended April 30 1988.

The group makes sports, left and the Wassen and children's wear for

Group turnover soared to operations.

£12.33m (£5.5m) despite certain sluggishness in retail sales in late 10.37p (9.22p) and the interim divspring. Profit improvement in the idend is lifted to 1.25p (1p).

year ended April 30 1988.

The results included the Weston should be completed by the end of 1988 when full improvements should show through.

Constructions to the Malf directors reported. The group makes sports, lefusion and children's wear for Marks & Spencer, Next and BhS, and is the principal UK maker to the Adidas brand. It also has printing and packaging

and the directors recommend a final dividend of 0.2p (nil) for a doubled total of 0.4p. Turnover was £24.94m (£31.2m).

**Bridgend back** 

Continuing operations of Bridgend Group increased profits to £445,000 in 1987, against £277,000.

After taking in losses from discontinued activities almost £500,000 lower at £135,000, this electronic products concern

turned in an overall pre-tax sur

plus of £310,000, (£356,000 loss).

Earnings were 2p (2.62p losses

in the black

### Christie seeks full listing

The Christie Group, which has evolved from estate agency to business agency and financial per cent of the equity.

After the placing the directors after a period of rapid expansion, which has seen turnover rise to services, is to seek a full listing for its shares next month.

Christic claims that it is the firm financial agency in the country. It concents tax profits climb to 23.5m from firm for the placing of the directors.

The group comes to the market after a period of rapid expansion, which has seen turnover rise to \$17.2m in the year to last April largest specialised business from £3.8m in 1983-84 and pre-Cazenove will be placing 5.8m agency in the country. It concented tax profits climb to £3.5m from of its shares, or 25 per cent of its trates on the buying and selling £449,000. There was, bowever, a equity after the placing, to raise of businesses, especially in the loss of £49,000 in 1984-85. Un December 1987, Christie

tion of the group will be about retail areas as an agent for cli-bought the right to a 54 per cent £30m. Trading should start on ents. It does not take a position interest in VR Business Brokers,

July 14.

Half of the shares to be placed finance for its clients and offers are being sold by the directors and the other half is an issue to valuation, stocktaking and rating chises business brokerage offices. throughout the US.

### Chief executive designate at Norwich Union Group

Mr Allan Bridgewater has been THE WELSH DEVELOPMENT mr Allan Bridgewater has been THE WELSH DEVELOPMENT appointed deputy chief general agency has restructured its manager of the NORWICH management concerned with UNION CROUP from Cotober 1, attracting companies into Wales, while retaining his present writes Anthony Moreton, Welsh responsibilities as general man-correspondent. Mr Michael Price ager of the Norwich Union Fire is to be director of Winvest, the Insurance Society until the end agency's inward-investment arm of this year. After the annual He succeeds Mr Colin Adlam, meeting in May 198 he will who takes on a new role as the meeting in May 198 he will who takes on a new role as the become group chief executive. When the present chef general manager Mr Victor Hughff, according to Mr David Waterretires. Mr Albert Mills will stone, the agency's chief executive, become deputy general manager of the Norwich Union Fire Insurance Society from Odober 1, and will take over as general manager from the beginning of 1989, ager from the beginning of 1989, the single European market."

CAPE DURASTERI Wellingbor- market

Mr Richard Hun; is to become an executive diector of CAPITAL RADIO in Ctober with special responsibity for business development. H is a director and company secretary of Rediffusion, and has seen a non-executive director of Capital since 1985.

was subsequently absorbed into the WDA, in 1975.

Mr Adlam, 54, has also had a long spell in industry, spending 28 years with ICI, seven of them as overseas manager for the plastics division. He will continue to work closely with Winvest.

Mr Gordon I Brown is joining the board of WILLIAM KENYON & SONS as anon-executive director. He was roup finance direc-tor of Magnt, and has recently formed his wn consultancy busi-

BENCHM.RK GROUP has appointed Mr David W. Youngman as chef operating officer of its stockiroking subsidiary, chariton kal. He continues as a director of Benchmark. Mr Peter F. Barlov, Chariton Scal's director of admistration and finance, will act again deputy. will act as as deputy.

ough, has appointed Mr Bruce
Pinner as sales and marketing
director of the cotracting division.

Mr Price, a 46-year-old civil
engineer, spent 10 years with ICL
before joining the Development
Corporation for Wales, which
was subsequently absorbed into

Mr Angus Hamilton has been appointed managing director of GROSVENOR BUCHANAN PROPERTIES, Glasgow, new Scottish subsidiary of Grosveno Square Properties Group. He is a director of Grosvenor Square Properties Developments, and the London Pavilion.

Lowides Lambert Group Holdings A new ompany, LOWNDES

A new ompany, LOWNDES

LAMBER! GROUP HOLDINGS, tor of the North American nonhas acqueed the entire share marine division; Mr Tony Hazell,
capital of the Lowndes Lambert
Group, frectors of principal & Professional Indemnity Agengroup copanies include: Mr Roy
Watts, hairman of Thames
Watts Athority and Armstrong
Equipmat, who becomes non-executive chairman of Lowndes
Lamber Group Holdings; Mr
Richard Shaw, deputy chairman
and chief executive of Lowndes
Lamber Group Holdings, chairman
and chief executive of Lowndes
Lambert Group, and a Malcolm Berry as managing
director of the marine division;
Mr Malcolm Berry as managing
director of the marine division;
oversas Holdings, and a Mr Michael Dunn, managing
director of the international division; and Mr James Kininmonth,
chairman of Lowndes
Lambert Group Eoldings, and of
Lowndes Lambert group; and Mr
Claud Minerand chairman and
chief executive of La Securité
Nonville. Joining the board of
Lowndes Lambert Group are Mr

These changes follow a management buyout in April.

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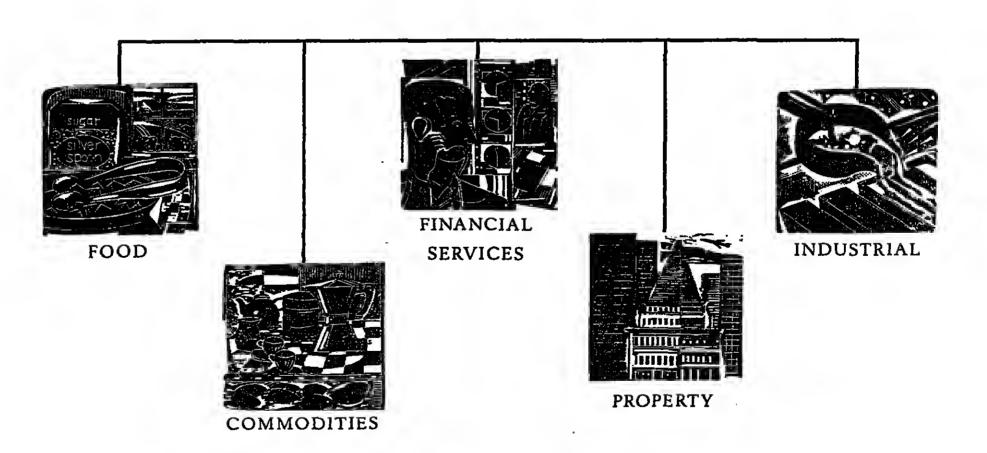
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# Greece blocks agreement of EC farm price package

EC farm prices for the 1988-89 marketing year remained blocked hy Greece last night after a further round of negotiations between member states in Brussels ended in stalemate.

The embarrassing impasse, which comes after a final deal was thought to have been struck in Luxembourg late last week, once again raises the prospect of emergency measures being taken hy the European Commission when the new marketing year for cereals and other regimes starts on July 1.

The outstanding problem without which no other aspects of the complex package can be legally approved – centres on a difference of interpretation of a compromise on negative monetary compensatory amounta offered to Athens by the Commission and the West German Presi-dency late last Thursday night. MCAs are the system of cross horder taxes and subaidies designed to even out short term currency distortions of cross bor-der farm trade, but they can only be dismantled through the devaluation of the relevant "green" currency (the notional currency used to convert common Ecu denominated prices into national money, in this case the "green"

Greece (like most other other member states in previous negotiations) wants as large an MCA tion) in MCAs, sometimes called dismantlement as possible since the monetary gap. That would be



Frans Andriessen - reported to be taking a tough line

this not only has the effect of removing some of the taxes which its farm exporters have to pay but increases EC farm prices' in local currency (particularly important given Greece's high inflation).

The dispute with the Commission hinges on whether it was offered respectively a 15 to 20 per cent adjustment of its green rate (as is maintained by the Athens Agriculture Minister, Mr Yannis Pottakis) or whether, as the Commission insists, the deal was a 15

achieved by a green drachma devaluation of less than 15-20 per

According to the Commission the Greek version would give farmers an average 21 per cent increase in prices; the Brussels version would amount to a 14 per cent boost. A Commission official claimed yesterday that the cost of conceding the point (or more pre-cisely, the percentage) would be-around Ecu 70m (£46m).

Farm experts from the member states at yesterday's meeting mostly endorsed the Commission's version of events (negotiations on MCAs almost always centre on reducing the monetary

gap). Some, however, indicated that if the Commission was prepared to make further concessions and spell out the financial conse-quences they would be able to put their names to the final deal.

Mr Frans Andriessen, the EC
Agriculture Commissioner, however, was reported to be taking a
tough line and the Commission spokesman indicated that no new compromise was envisaged.

Observers feel that with the EC

summit of heads of government now safely out of the way and the imminent start of the Greek Presidency of the Community on July 1 – a six month period in which Athens is known to be keen to play a more constructive role in EC affairs - Mr Andries sen may now try to call the Greek bluff.

### Groundnut crop likely to be a record

WORLD groundant production is 1987/88 season to about 2.65m be realised only if at least 4.8m likely to reach a record 15.1m tonnes, shelled basis, Oil World tonnes were harvested, Oil World tonnes, shelled basis, next sea-son, up 13 per cent from this sea-US

prices have resulted in a sharp 1.2m tonnes increase in world groundnut this season. plantings by an estimated 10 per cent to a record 18.6m hectares. In India alone plantings are can countries is expected to 1986/87 level.

increase by 3 per cent from the

But the Indian crushings could 4.9m tonnes.

tonnes, shelled basis, next season, up 13 per cent from this season's 13.39m tonnes and above
last season's 14.66m, the Hamlast season's 14.66m, the Hamburg-based newsletter Oil World
said, Renter reports.

Good weather and attractive
prices have resulted in a sharp
increase in world groundnut this coason.

Said.

China is expected to remain
the world's major groundnut
crusher and its crushings should
rise 11 per cent to an estimated
3.75m tonnes, Groundnut exports,
shelled, are seen at 987,000 tonnes
after an anticipated 935,000 tonnes
season, and up from 921,000 season and up from 921,000

World groundnut crushings are tonnes last season.

forecast to rise 1.5m tonnes to a record 9.1m, shelled basis. The seen at 3.66m tonnes after just expected to rise to about 7.25m higgest increase in crushings is over 3.0m this season and up ha from the drought reduced seen in India where they are fore-from last season's 3.4m, with 5.95m ha planted for this season. cast to rise by almost 60 per cent meal output expected to reach Production in 20 selected Afrito 2.9m tonnes, matching the 5.2m tonnes, np sharply from this an countries is expected to 1986/87 level.

### WEEKLY METALS PRICES

market 99.6 per cent, \$ per tonne, in warehouse, 2,050-2,100 (2,080-BISMUTH: European free market, min. 99.99 per cent, \$ per lb, tonne lots in warehouse, 5.35-5.50

CADMIUM: European free mar-ket, min. 99.5 per cent, \$ per lb, in 3.45-3.55 (same).

free ket 99.5 per cent, \$ per lb, in 9.80). warehouse, 6.50-6.80 (6.60-6.85). MERCURY: European free market, min. 99.99 per cent, 3 per 76

> MOLYBDENUM: European free market, drummed molybdic

> > 117.85

Close

112.75

Previous 102,90 106,90 108,00

112.00

+3+1,3

lh flask, in warehouse, 323-333

All prices as supplied by Metal warehouse, ingots 8.00-8.20 SELENIUM: European free Bulletin (last week's prices in (same), sticks 8.00-8.20 (same). market, min 99.5 per cent, \$ per COBALT: European free mar- lb, in warehouse, 9.55-9.75 (9.60-

cif, 48-61 (50-61).

### **Drought** pushes up sugar to 6-year high By Richard Mooney

LONDON SUGAR futures broke through the \$300-a-tonne level for the first time in six years yesterday as concern about dronght damage to US and Chinese crops continued to buoy-up the market Following on the overnight is mainland China. This will strength of the New York market, prices opened with sharp gains and the London daily price and gain from the extra value for raw sugar was fixed in the morning at \$328 a tonne, up \$39

tonne ruling near the close still represented a rise of \$21 from Monday. Alarm signals ware sounded about the Chinese supply situa-tion late last year when that country began to step up its buying on the world market. Since
the spring, fear for the droughtaffected US sugar crop has taken
an increasingly hig hand in the
rise, and yesterday that factor
was given a new twist hy rumours that some big American soft drinks bottlers might be switching hack to sugar from high-fructose corn syrup (HFCS) because of the drought-driven rise in maize (corn) prices. Mr Christopher Pack, of Lon-don sugar brokers C. Czarnikow,

thought it unlikely that bottlers would switch away from HFCS simply because of increased cost which he said would be compensated to some extent hy better returns from sales for animal feed of waste from the maize

It was possible, however, that some bottlers might have become uncomfortable about their total reliance on HFCS and be considering spreading the risk hy returning to the sugar market for some of their sweetener needs, Mr Pack said.

Even discounting any change of policy in the soft drinks sectorthe US supply demand balance for next year was likely to be bullish, Mr Pack said. Consumpbullish, Mr Pack said. Consumption was likely to increase hy at country's hid to become a major least 100,000 tonnes, perhaps gold producer, has come to a 200,000, while he estimated that producer, has come to a sead after complaints from controduction would fail by between

Constitution and two years of ment officials, many said to be personally involved backing the sugar stocks to about half the sugar stocks to about half the normal level. And it may take some time before the stimulus to b, in warehouse, 9.55-9.75 (9.60-80).

SELENIUM: European free market, min 99.5 per cent, \$ per b, in warehouse, 9.55-9.75 (9.60-80).

The dispute has presented the Government with an awkward domestic sugar prices taking effect this month will be transpared by a personally involved backing the foreign company resulted in a stand to gain. A boarding house some sum even a hand-foreign company resulted in a stand to gain. A boarding house some sum even in central Kalimantan said to gain. A boarding house some sum even in company and indonesias and indonesias employed by a foreign company resulted in a stand to gain. A boarding house some sum even are fractive. A miner foreign company resulted in a stand to gain. A boarding house some sum even in central Kalimantan said to gain. A boarding house some sum even in company and indonesias employed by a foreign company resulted in a stand to gain. A boarding house some sum even in central Kalimantan said to gain. A boarding house some sum even in central Kalimantan said to gain. A boarding house some sum even in central Kalimantan said to gain. A boarding house some sum even in central Kalimantan said to gain. A boarding house some sum even in central Kalimantan said to gain. A boarding house some sum even in gain company in central Kalimantan said to gain. A boarding house some sum even in foreign company resulted in a stand to gain. A boarding house some sum even in foreign company resulted in a stand to gain. A boarding house some sum even in gain and indonesias mand indonesias and indonesias sain to residents.

The dispute has presented the gain and indonesias and indonesias and indonesias and indonesias and indonesias free market, standard min. 65 per lated into higher levels of domest prices intensify the search for many groups are reviewing BBC each day to catch news of coming from othe provinces. But cent, 3 per tonne unit (10 kg) WO, tic ontput. "In the short term new exports."

In the short term new exports.

In the short term new exports. China appears to have sufficient

Kenneth Gooding reports on the Far Eastern jewellery industry

# Low costs attract business to China

THE EXPLOSION in demand for precious metal jewellery in the Far East has caused widespread skilled labour shortages in the main production countries, Japan, Hong Kong and Thailand, and wages increases which are

very large by local standards.

Japan and Hong Kong in particular are attempting to cut costs by moving some production offshore and the main beneficiary

when it is exported. In the past six months alone, from Monday's level. On the futures market tha prompt Angust position quickly moved up to \$327 a tonne. That level did not hold for long, but the \$296 a tonne ruling near the close still

The main attraction, according to Mr Morihito Nagahori, one of Japan's larger jewellery produc-ers, is that it costs only \$8,000 a month to operate a factory with

100 employees in China.

He was among a number of Far
Eastern producers at an international symposium held in connection with the Vincenza Jawellery Fair in Italy.

Mr Nagahori, whose company of the same name is quoted over the counter in Tokyo, said that within three or four years Japan would consume 120 tonnes in jewellery annually or about 10 per cent of the non-communist world's mined output. Demand last year was nearly 95 tonnes, three times the 30 tonnes in 1980 and more than double the 49 tonnes achieved in 1983.

The Soviet Union has been a heavy seller of gold bullion on the Hong Kong market this week, dealers said. The metal was placed with international hullion houses at between \$442

and \$443 a troy sunce.
Dealers said Moscow occa-sionally uses the Hong Kong market hnt there was a marked increase in selling on Monday which continued on a smaller scale yesterday.

full advantage. Price competition and heavy imports (10.7 tonnes of gold jewellery last year) had cut profitability to the bone. For example, 60 per cent of the gold jewellery was sold as 18 carat chain at a very low mark up from the precious metal value,

based on the price that day. Mr Nagahori predicted that the Japanese industry would ration-alise by mergers, acquisitions and joint ventures. Many labour intensive operations would be moved offshore, leaving Japan to concentrate on products with higher added value.

The industry would work with electronics groups to introduce robotics and other forms of automation to jewellery making In the longer term.

"Only those major companies manufacturers and wholesalars. lery industry was short of about This, however, should create real opportunities for the industry to of the potential workfarce, and

Mr Tom Butler, manager, precious metals, Samuel Mon-tagu in London, suggested the move was of no particular significance, "except, perhaps, that demand for precious met-als today is in the Far East so it might seem logical to sell into that market".

The Soviet sales did not drive the gold price down and it closed in Hong Kong yesterday 32 up at \$444 an ounce.

mere fabricators hnt as total

marketeers."
Hong Kong too is looking towards producing higher value jewellery products in order to cope with skilled labour shortages, an ever upward wage spiral and growing competition, accord-ing to Mr Kenneth Yeung, an executive director of the King Fook group which includes jewellery among its extensive inter-

"Hong Kong is in a very good position to train workers in China. In fact, we anticipate our industry will rely more and more on the labour there. While we on the labour there, while we have China taking care of the intensive labour part of the joh, we in Hong Kong wilkoncentrate on upgrading quality and design capability."

Last year 28 tonnes of gold jew-

ellery was consumed by Hong with sufficient capital to invest Kong. Hong Kong exported prein the future can achieva this,"
Mr Nagahori pointed out. "As a
result, the business concentraition will move towards the larger

Mr Yeung said that the jewel-

those in Hong Kong, foir times those in Surapore and tin times those in Barkok where the averthose in Barkkok where the average wage is bout \$1,500/a year.

The Thai jewellery industry attempts to employ as little gold as possible it its products, concentrating of locally produced coloured genttones. But even so Thailand consimed 15 topnes of

gold in jewellty last year, then gold in Jewelly 1851 year, then exported seventonnes.

The jewelley industry now achieves foreig exchange earnings second only to those from textiles in the industrial sector and applicable is he largest ladge. and probably is he largest indus-

trial employer. Mr Prida Tiaswan, chairman of Pranda Jewelry in Bangkok and vice-presidnt of the Thai Gems and Jewillery Traders Gems and Jewillery Traders
Association, sait the very fast
expansion of the idustry had led
to new compaties enticing
trained people away from longer
standing organisations by offering very big wate increases.
The Thai industry's development was also lindered by the
fact that because the authorities
had wanted to mit the movement of gold bullin, tha material
had only recently become avail-

had only recently become available and so far here were no refining facilities up to international standards.

Poor managemet and production techniques alo caused the industry to lose a much as 15 per cent of the gol obtained for jewellery making.

Like its competities, said Mr. Tiasuwan, Thailand which currently makes low ralue, mass produced jewellery hoped to

produced jeweller; hoped to move into e better cass of prod-uct. "The new young about force However the fragmented Japanese jewellery industry – only 15
of the 1,000 manufacturers pricing, distribution and marketemploy more than 100 peoemploy more than 100 peoing. This will be the time for our ple – had not been able to take industry to position itself not as labour costs are four to five times

1,000 skilled people, or 8 per cent of the potential workforce, and which has been trabed in the wages were rising.

But as it was pointed out by Mr gain better skills and enable us to produce higher proed jewelindustry to position itself not as labour costs are four to five times

# Indonesia set to evict illegal gold miners

BY JOHN MURRAY BROWN IN KALIMANTAN

to foreign companies.

WORLD COMMODITIES PRICES

5.657 lots

51,911 Tota

67.511 lots

Ring turnover 0 tons

53 lots

Ring turnover 0 or

13,186 lots

5,751 lots

22,646 lots

Puts

Puts

141 39 180 88 110 275

US cas equiv

709.70 723.65 753.80

2571<sub>2</sub>-258 258-2681<sub>2</sub> 258.868

£ equivalent

265-266 265-268 265-266 257-258

US Eagle

458-461 456-461 456-461 442-445 231-240 115-125 456-461 47-52 104-105 104-105<sup>1</sup> 563-5-590.2

Cuits

rial in the indonesian Observer In April, comparing the Kalimantan Dayak with the American Indian.

There have been some ugly incidents. At one foreign site, the In the latest issue of its Sugar Review, Czarnikow says rising consumption and two years of poor crops have cnt Chinese sugar stocks to about half the normal level. And it may take some time before the stimulus to production provided by higher

In remote areas like Kaliman- already have been hit hard by

INDONESIA THIS week faces the tricky task of clearing some 100,000 gold miners prospecting illegally on hlocks contracted out to foreign companies.

Indonesia tricky task of clearing some Some Jakarta newspapers are contractual obligation to the formulation to the formulation of since Indonesia relaxed investment regulations in 1986.

Most large international names are represented, including BP Minerals of the UK, Newmont 20m underround, employing started and the dail of ghis scale of the illegal operations. Working conditions are often perilous. Alone site, miners are 20m underround, employing scaled by the UK.

Mining and Pennzoil of the US, so-called paraonic methods and CRA, the Australian group.

Blocks are sometimes as large as track the or lode – sometimes 10,000 sq km and altogether cover with fatal results. But the 10 per cent of Indonesia's land rewards are tractive. A miner

Jakarta has since restricted encouraging spotaneous settle-VANADIUM: European free market, min 98 per cent, VO, cif, 3.50-4.00 (3.25-3.35).

URANIUM: Nuexco exchange value, \$ per lb, UO, 15.75 (same).

The Government may have value, \$ per lb, UO, 15.75 (same).

The Government may have value, \$ per lb, UO, 15.75 (same).

The Government may have value, \$ politically," Czarnikow adds.

Cottober's stock market crash, for ment to such restricted than some values of local mining rights ment to such restricted than some values of local mining rights ment to such restricted than some values of local mining rights ment to such restricted than some values of local mining rights ment to such restricted than some values of local mining rights ment to such restricted than some values of local mining rights ment to such restricted than some values of local mining rights but it is still possible in remote sites to subcontract small lots, at local mining rights ment to such restricted than some values of local mining rights but it is still possible in remote sites to subcontract small lots, at local mining rights ment to such restricted than some values of local mining rights in the main vehicle for raising interests and some values of local mining rights in the main vehicle for raising interests and some values of local mining rights in the main vehicle for raising interests and some values of local mining rights in the main vehicle for raising interests of local mining rights in the main vehicle for raising interests and some values of local mining rights in the main vehicle for raising interests and some values of local mining rights in the main vehicle for raising interests and some values of local mining rights in the main vehicle for raising interests and some values of local mining rights in the main vehicle for raising values and some values are also some of local mining rights in the main vehicle for raising values and some values are also some of local mining rights in the main vehicle for raising values and values are also some of local mining rights are also some of local

Traffigure.

### **LONDON MARKETS** Soyomeal tutures tell sharply near the

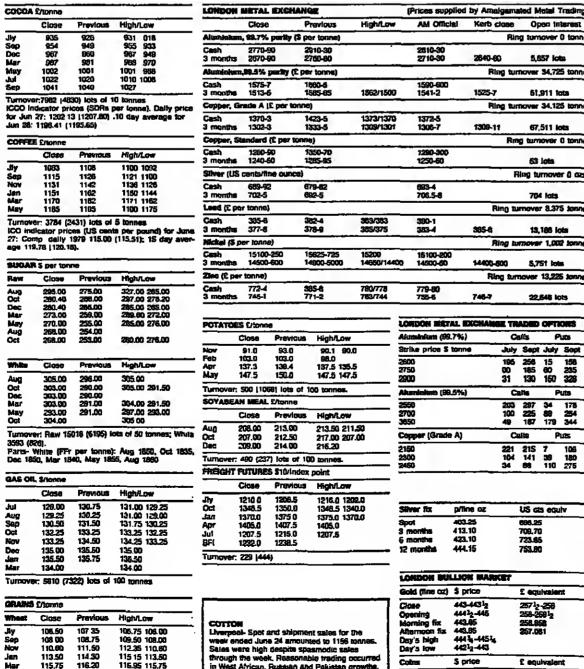
ctose in London vesterday, reversing an early odvence of up to £5 a tonne, to end the day £5 to £2.50 a tonne easier. The downwerd reaction followed a fall in oyameal lutures prices in Chicago when that market opened, traders said. This triggered profit-taking which saw the October position trade down from £217 to £207 a tonne. The weakening of the US dollar against the pound caused a fall in most motal prices on a day when trading in London was generally quiet. Spot tin on the European free market eased ba from Monday's ten-month high by £32.50 to £4162.50 a tonne for high grade metal in warehouse Rotterdam. The exception to the rule vesterday was tead which made some headway on the London Metal Exchange before prolit-taking pared the advance. Even so, the cash price was up by £2.50 a tonne to £385.50. -months motol, however, slipped £1

SPOT MARKETS

Soyabeans (US)
Cotton "A" Index
Woodrope (64s Su

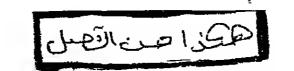
Crude oil Ipor barrel FOB

O1000 On (pai 00:101:00)		<del>- 0</del>	. 6
Dubai	\$13.10-3 152		ì
Brent Slend	\$14 75-4 65u		i
W.T 1.(1 pm est)	\$15.89-5.92 <del>2</del>	-0.03	i
Oil products (NWE prompt d	elivery per to	nne CIF)	
		+ 07 -	•
Premium Geseline	\$183-185		
Gas Oil (Soviet)	5129-130		•
Heavy Fuel Oil	<b>566-68</b>		
Naphthe	\$149-151	-1	
Petroloum Argus Estimates			9
Other		+ or -	· ¦
Gold (per frey oal-	\$443.25	+1.50	ì
Silver iper trey ozide	694c	+ 10	•
Platinum (per trey oz)	\$569.25	+ 12.50	7
Palladium (per troy oz)	\$126 00	+ 1.75	ž
Alominium /free market)	52820	-90	ì
Copper (US Producer)	1145a-116c	-3.5	
Load IUS Produceri	36 0c		
Nickel (from markel)	695c	+5	ē
Tm (Europoan free market)		-32.5	-
Tin (Kuals Lumpur market)	19.38r	+0.02	
Im [New York)	333.5c		3
Zing (Euro. Prod. Price)	\$1337.5		ž
Zing (US Prime Western)	65 5c	+ 2.0	S
Cattle Ulivo weight[1	110.18p	-3.76*	C
Sheep (deed weight)†	154.98o	-17.49*	×
Piga jiiva walghiit	67 44p	-3.05"	0
oncon dally sugar (raw)	\$328 Ox	+39.0	٤
London daily sugar (white)		+ 35.0	
Tate and Lyle export price	£301.0	+ 22.5	T
Barloy (English feed)	£106.5z		_
Maize IUS No. 3 yellow)	£143u	+4	9
Meat (US Dark Northern)	£133x	+3	_
			¥
Rubbar (spot) 🖤	78.50p	+ 1.50	3
Aubber [Aug]	84 500	+150	S
Rubber (Scp)♥	84.75p	+150	N
Rubber (KL RSS No 1 July)	366.0W	+ 2.0	J
Coconut oil (Philippines)§	5700x		M
Palm Oil (Maleysian)5	3595u		M
Coors (Philipposes)§	\$430	+5	



ne/July 1988 c and I Oundee BTC \$485, BWC 5470, BTD 5410, BWD 5410; c and f Antwe BTC 5445, BWC \$435, BWD \$380, BTD\$38

ng)	US	MAI	RKET	'5		CRUDE	Off. (Light	) 42,000 U	S galis \$/b	errel	~ Ch	icag	0	1			
1							Latest	Previou	a High/L	OW						_	
ne			f shower		ay on July	Aug	16.01	15.86	16.03	15.80	BOYA	BEANS 5.0	GO bu min; c	antz/60 b	ushel	_	
_					-liquidation	Sep	16.22	16.10	16.22	16.04		Close	Previous	Highler	~		
			urd in the			Oct Dec	16.33 15.54	16.50 15.51	16.39 16.56	16.21 18.42	البلا	1014/4	1059/4	105B/	1014/4	_	
ne			plex. rep			Jan	16.50	18.57	16.00	16.47	Aug	1010/0	105570	1057/4	1010/0		
			pert Catt			Feb	16.54	16.61	16.54	16.45	Sep	206/0	1041/0	1045/0	996/0		
			kers cont			Mar	16.55	16.65	16.60	16.50	Nov	977/0	1022/6 1012/0	1027/0			
=	forcing	cash p	rices high	er, and	as fears	May	18.62	16.67	16.62	16.60	Mar	967/4	1002/4	10020	967/0		
U.S.			tion ease			HEATIN	G ON, 42,0	100 US gell	s, cents/U	3 çalis	May	935/4	980/4	965/	935/4		
			ght rains.				Latest	Previous	High/L	OW	<u>w</u>	927/0	972/0	970/(	927/0		
_					le bellies	Jul	4250	4259	4270	4225	- SOYAI	BEAN OIL	00,000 lbs; c	ents/ib	7	-	
Ne			lecting bu			Aug	4295	4303	4320	4255		Close	Previous	HighLo	<del></del>	<del>-</del> .	
					bered dilw	Sap	4375	4391 4470	4405 4480	4340	711	31.27	32.30	33.5		_	
_	gains i	n the /m	nit tree O	Ctoper c	ontract,	Nov	4535	4563	4560	4435 4520	Aug	31,55	32.55	33.5	31.25 31.45		
75	the bat	ek monu	IS Were K	OCKEC III	mit-up, as	Jan	4655	4683	4675	4650	Sep	31.73	32.67	34.0	31.70		
_			in the ma			Feb	4560	4690	4695	4600	Oct Dec	\$1.90	32.75	34.2	31.00		
			rompted ;			Mar Apr	4520 4440	4535 4420	4525 4440	4520 4425	Jan	32.05 31.76	32.67 32.55	34.2	32.00		
ne n			selling d								_ Mar	31.00	32.25	33.6	31.75 31.50		
_					off stops	CUCUA	10 tonnes	25/00/mes			May	31.25	31.70	33.00	31.00		
	88 SUD	port are	as were p	penetrat	ed.		Close	Previous	High/L	OW.	SOYAE	MEAN MEA	L 100 tons;	S/ton		_	44
700	Long-II	quidatio	n in July	Silver a	dded to	Jul	1540	1503	1542	1513		Close	Previous			- 1-	-
_	the dov	wnward	momentu	m In tha	t market.	Sep	1551 1551	1513	1555	1620	Jul	305.7	320.7			_ **	
	Copper	r, too, ca	ume unde	r pressu	re as	'Mar	1572	1522	1555 1577	1528	Aug	305.7 288.2	320.7	318.0 310.0	205.7		
 De					y into the	May	1592	1570	1569	1580	Sop	295.2	310.2	307.0	295.2 295.2		
_			tract, whi			Jul	1616	1592	1605	1605	Oct	292.7	307.7	303.5	292.7		
	gasolin	a railie	as conc	ems ove	er nesrby	Sep	1640	1618	0		_ Jen	269.2 265.0	304.2 300.0	302.0	269.2		
-	supplie	a count	ued. Coff	ee fell w	vitin Tarihi	COFFEE	"C" 37,50	Olbe; cents	/Tbs		Mar	279.0	294.0	299.0 294.0	275.0 279.0		
	etranat	h in nee	ting, coccurring	bac refle	o with		Close	Previous	High/Lo	7/10	May	278.0	283.0	285.0	278.0		
_	lack of	cood at	elity eva	ilakilik	ornig	Jul	132.30	132.55	133.50	132.25	MAZE	5,000 bu n	nin; cents/50	ib bushel		_	
				navility.		Sep	133.24	133.78	134.75	133.20	-	Close	Previous	High/Le		-	
7	Nev	v Yo	rk			Dec	134.35 134.60	194.63 134.50	135.70 135.60	134.30	Jul	337/4	352/4			_	
-	GOLD 10	& troy oz.	\$/troy az.			May	134.63	134.88	135.50	134.60 135.50	Sap	342/4	35714	353/Q 364/D	137/4		
		Close	Previous	High/Lo		Jul	135.25	135.38	137.25	138.00	Dec	347/6	362/8	358/0	47/6		
						Sep	135.87	136.00	0	0	Mar May	347/8	362/6	367/0	47/6		
_	Jun	437.5	443.0	444.5 440.0	441.5 440.0	SUGAR Y	WORLD "1	1" 112,000	lbs; cents.	/lbs	_ Jul	347/4 341/0	362/4 356/0	366/0	67/4		
-	Jul QuA	438.0 440.5	445.9	447.7	439.8		Ciose	Previous			- Sep	298/4	308/0	380/0	41/0		
•	Oct	445.6	451.0	453.0	445.0	Jul	12.65	11.96	13.45		Dec	580/5	282/4	256/0	26/0 20/35		
	Dec	450.7	455.1	458.1	450.2	Oct	12.38	11.79	13.45	12.50 12.30	WHEAT	£ 5000 i		_		_	
_	Feb	456.0 451.3	461.5 468.B	463.5 0	480.6 0	Jen	11.35	10.85	11.35	11.35	WILEY	27000 00 1	nin; centulti	ap-pastel		_	
-	Apr Jun	466.7	472.2	474.0	473.7	Mar	11.49	10.98	11.49	11.49		Close	Previou	High/Lo	w	<b>-</b>	
	Aug	472.2	477.7	0	0	May Jul	11.38 11.37	10.88 10.87	11,36 11,37	11.38	Jut	373/2	400/4	394/0		-	
	PLATINU	M 50 trey	oz; \$/tray o	12		Oct	10.75	10.80	11.30	11.37 11.80	Sep Dec	384/4	408/6	404/D	320 330		
_		Close	Previous	High/Lo		50,000; c	ents/the				Mar	394/0	421/4	417/0	35/0		
						00,000, 0					_ May	385/0	421/4 408/0	418/4	38/4	: '	
	-Jul	561.5	555.1	572.0	56t.5		Close	Previous	High/Lo	•	آبال	3500	382/4	405/0 380/0	38/0		
_	Çict Jan	567.0 574.5	\$50.9 \$57.1	578.5 585.0	557.6 675.5	Jul	66.42	68.80	88.60	68.40					3210	٠.	
_	Apr	581.5	574.1	588.5	588.5	Oct	85.05	<i>67.05</i>	68.40	65.06	TIME C	TILE 40.0	00 lbs; cers	At-	_ <u> </u>	<del>.</del> 7	7
	.Jud	589.0	581.8	0	٥	Dec	63.70 64.50	65.70 66.60	65.10 65.85	63.70		Ciesa	Previous		4:1	. '	
	90 VFR 5	000 trov	oz; cents/tr	OV 07.		May	64,85	66.85	65.85	64.50 64.85	Aug			High/Lov	7 i i		
		<del></del>				Jul	64,90	66-90	65.73	65.10	Oct	84.62 85.62	64.16	65,40	44.02	•	
		Close	Previous	High/Lo		Oct	64.90	86.25	0	0	Dec	69.17	64.97 68.97	66.47	5.02		
_	Jun	675 <b>7</b>	663.5	690.0	690.0	<b>ORANGE</b>	JUICE 15	.000 fbs; ca	ente/lbs		Fab	71.62	71.82	70.10 72.56	64,30		
_	Jul	676.0	894.0 899.1	702.0 702.0	673.0 702.0		Close	Previous	High/Lo		. Apr Aug	74.05	74.35	74.75	7 \$1\$		•
	Aug Sep	681.0 686.0	703.9	712.0	683.0						. Aug	72.30	72.85	2.00	73.85. .72.00		
_	Dec	700.9	718.9	727.4	699.0	ابرار مدد	186.00	188.25	188.60	183.50	LIVE H	CC 05 505					
	Jan	705.8	723.8	0	0	Sep Nov	181.90 174.90	182.80 174.80	183.90 176.00	180.25 173.00			ib; cents/lb	<b>6</b>	7.7		
	Mar	716.3	734.3	741.0	714.0	Jan	168.70	168.40	169.00	164.00		Close	Previous	igh/Low		-	
	May	728.4 737.2	744.8 755.6	755 0 766.0	750.0 766.0	Mar	167.90	167.90	165.00	185.50	Jul	45,57	48.20	32			
	Jul Sep	748.1	756.7	0	0	May	165.75	168.95	0	0	Aug Oct	44.87	45.62	100	45.42 44.55		•
_						Jul Sep	166.75, 166.75	166.95 166.95	0	0	Dec	43.07 46.22	43.80	420	43.06		
_	COPPER	2000	z cents/lbs			Nov	165.75	166.95	ŏ	Ö	Feb	51.17	47.07	420 475	48,15		
		Close	Previous	High/Lo	<u> </u>						, Apr	50.77	51,10 50.55	500 515	51.05		٠.
	Jun	107.80	108.00	108.30	105.30	MDIÇE	<u> </u>					_			80.50		•
	Jul .	105.40	104.15	105.50	182.06	REUTER	15 (B <b>as</b> e:	September	18 1931 =	1001	PORK E	EF (155) 36	.000 lbs; ca	_	<del></del>		
	Aug	103.00	101.20	0	0		June 27	June 24	moth ago	yr ago		Clase					
	Sep	100.00 92.50	96.20 90.40	0 93.00	96.80 89.80	1—	1993.9		1806.9		Jut		Previous	History		-	
	Dec Jan	90.10	86.10	0	0	<u> </u>		1976.6		1014.0	Aug	37.85 38.35	39.05	39	37.15		
	Mar	85.50	63.90	85.50	83.50	DOM 10	MES (Bes	e: Decemb	er 31 1974	<b>-</b> 100)	Feb	63.57	38.62 62.67	40.	37.67	-	
	May	83.50	81.40	0	0	Spot	141,57	139.77	132.82	126.69	Mar	63.00	61.40	63.	60.60	7	•••
	Jul Sep	82.00 00.00	79.00 79.00	0 79.50	0 79.25	Futures	144.57	141,80	134.40	124.45	May	62,80	61.35		80.80 S1.00		
_	Jep											63,12	61.55		S1.00 C1.45	• • •	
														7	- ··		



**EUROPEAN OPTIONS EXCHANGE** 

STAP NO.

20275

### CURRENCIES, MONEY AND CAPITAL MARKETS

### FOREIGN EXCHANGES

### Central banks sell dollars

point.
The dollar closed at DM1.8090

from DM1.8185 and Y130.90 com-pared with Y130.85. Elsewhere it

finished at SFr1.4960 from SFr1.5055 and FFr6.0925 com-

pared with FFr6.1375. On Bank of England figures, the dollar's exchange rate index fell from 97.0

Starting had recouped most of the losses sustained after Mon-day's release of poor May trade

appointment that UK base rates

CENTRAL BANKS intervened yesterday to dampen the dollar's recent sharp rise. The move was successful, although the US unit showed signs of recovering in the afternoon. The dollar started the day on a softer note, showing the effects of profit taking in Tokyo, after its recent strong improve-

Major central banks started to sell dollars very early on in Euro-pean trading, and although the amounts involved were probably little more than modest, the authorities caught most people off balance, and prompted a scramble to offload long posi-

day's release of poor May trade figures at one point, but the dolar's recovery towards the close meant that the pound's exchange rate index finished unchanged from the opening at 75.1. Although this was up from Monday's close of 74.8, it was well down from the day's high of 75.5. Part of the softer tone in the The timing of the intervention was extremely effective, as the desired effect - a lower dollar -was achieved at a relatively acceptable cost. However many traders believed that the dollar's undertone remained bullish and that the absence of any intervention hy the Bank of Japan Part of the softer tone in the suggested that yesterday's con-afternoon reflected investors' dissuggested that yesterday's con-certed move was little more than a smoothing operation.

Others were more sceptical, pointing out that with US trade EMS EUROPEAN CURRENCY UNIT RATES figures now only two weeks away, there was likely to be less incentive to push the dollar firmer. Early forecasts suggest that April's sharply narrower trade deficit is unlikely to be

### £ IN NEW YORK

June 26	Latest	Previous Close
£ Spot	1.7200-1.7205	1.7020-1.7030
1 month	0.27-0.25pm	0.26-9.24pm
3 months	0.86-0.83pm	0.86-0.84pm
12 months	2.96-2.86pm	3.15-3.05pm

### STERLING INDEX

Milen

		June 28	Previous
8.30 9.00 10.00 11.00 1.00 2.00 3.00 4.00	207	75.1 75.2 75.3 75.2 75.2 75.2 75.3 75.3	75.4 75.5 75.4 75.3 75.0 74.7 74.8 74.8

### **CURRENCY RATES**

June 28	sate No	Drawing Rights	Unit
Irish Punt	6005 222 222 22 22 2 2 2 2 2 2 2 2 2 2 2	0.770152 1.31389 1.58651 1.58651 1.58651 1.58651 1.58220 2.39586 2.70791 8.09350 8/3 172 138 8.64927 1.58.311 8.28571 1.19662 1.91.136	0.668516 1.15286 1.38862 14.6021 43.4627 7.87514 2.07514 2.33949 6.99611 1539.93 150.446 7.52412 137.374 7.15463 1.77188
PAULCED PROPERTY		27	

### **CURRENCY MOVEMENTS**

June.28	Hank of England lodex	Morgan ** Gearanty Changes **
Scerting U.S Dollar Canadian Bollar Austriae Schilling Berjann Franc Danish Kome Danish Kome Bessche Blark Swits Franc Guilder French Pean	75.1 96.6 84.7 135.1 98.4 90.7 145.2 170.3 133.5 70.0 45.3 241.3	-18.0 -10.8 -7.2 -7.8 -5.8 -14.0 -12.1 -13.6 -14.3 -79.4

Barr of England Index (Base Arrange 1975–1905) are for June 27

OTHER CURRENCIES								
June.28	E	S						
Argentina	14.5960 - 14.6918 2.1310 - 2.1340 324.65 - 326 40 7.3829 - 7.3950 245.75 - 250.15 15.4565 - 13.4730 119.50	8,4700 - 8,520 1,2395 - 1,240 188,40 - 189,3 4,2780 - 4,290 142,85 - 145,2 7,7980 - 7,800 69,507 725,60 - 752,2						

Argentina	14.5960 - 14.6918	8.4700 - 8.5200
Arstralia	2.1310 - 2.1340 324.65 - 326.40	1.2395 - 1.2405 188 40 - 189.30
Finland		4 2780 - 4 2900 142.85 - 145 25
Hong Kopg	15 4565 - 13.4730	7.7980 - 7.8000
Korea(Stb)	119.50° 1235.35-1246.55	69.50° 725.60 · 752.20
Kuralt	0.48350 - 0.48400	0.28030 - 0.2804D
Lusgerbourg . Malaysia	4 4775 - 4.4890	37.80 - 37.90 2.5940 - 2.5960
Merico	3921 10 - 3950.75	2280.00 - 2290.00 1.4545 - 1.4560
W Zealand	2.5020 - 2.5070 6.4685 - 6.4745	3,7500 - 3,7510
S Af (Cm)	3.5100 - 3.5160 3.9700 - 3.9810	2.0320 · 2.0340 2.2995 - 2.3010
S. Af (Fa)	5 6605 - 5.7556	3.2785 - 5.3335

### 7ahsan ...... 69 15 -49 45 28,80 - 28 90 UAE ...... 63350 - 6.3410 3.6725 - 3.6735

**MONEY MARKETS** 

### Base rates up but only half a point

UK elegring bank base landing rule 91<sub>2</sub> per sont trace Jone 28

factors affecting the market other pressing reasons for a rise including bills maturing in official hands and repayment of any late assistance together with a capital outflows.

THE BANK of England's timing on yesterday's base rate rise was \$280m, and Exchequer transactions taking out a further £25m amount - just a half point - did In addition, banks brought for-

amount just a half point - did come as surprise to some. Perhaps yesterday's sharp recovery in the pound influenced the authorities' decision, but with interbank rates still some way to discounting another half point rise, most dealers felt it was only a matter of time before rates went to 10 p.c.

Yesterday's move the fourth this month was also a little disappointing, because the Bank invited discount houses to use their borrowing facilities at 2.30 pm, when funds would be available at 9½ p.c. There was no offer to buy bills either in the morning or afternoon. The forecast was revised once more, this cast was revised once more, this time to a flat position and there

### 192 per seed to be lagging not leading the change in interest rates.

The key three month interbank rate started at 10-9% p.c., up from 9½-9½ p.c. and finished at 9½-9½ p.c. Overnight money traded between a high of 10 p.c. and a low of 8 p.c.

The Bank of England forecast a shortage of around £200m, with factors affecting the market time to a flat position and there was no lending required.

Higher rates were also seen in Frankfurt, where call money was quoted as high as 4.50 p.c. compared with 4.00 p.c. on Monday. Dealers expect the Bundesbank to increase the discount rate from its current historical low of 2.5 p.c., when the central council meets tomorrow.

The D-Mark's improvament against the dollar yesterday is unlikely to influence the authorises, mainly because there are other pressing reasons for a rise

### FINANCIAL FUTURES

With the debate finely balanced, the dollar showed signs of recovery towards the close, and once more broke through DM1.80 and Y130, having been as low as DM1.7920 and Y129.65 at one of the control of the close of and DM3.1100 against DM3.0975 in D-Mark terms. It was also higher against the yen at Y225.00 from Y222.75. Elsewhere it closed at SFr2.5725 from SFr2.5650 and FFr10.4725 against FFr10.4525.

> Elsewhere tha D-Mark per formed well against its EMS part-ners. Investors moving out of dol-lars tended to purchase D-Marks to a greater extent than other EMS currencies. Consequently the D-Mark rose to FFr3.3780 in early Paris trading, up from FFr3.3725 on Monday. However the French franc fought back so that the D-Mark slipped back at

As well as its intervention in tha open market, the Bundes-bank sold \$36.4m at the fixing in Frankfurt, and the dollar slipped

		_			
	Ecu central rates	Currency amounts against Ecu June 28	% change from central rate	% change adjusted for divergence	Divergence fluit. %
elpiae Franc Lanida Krose erman O-Nark resch Franc India Galide Ish Puot	42,4582 7,85212 2,05653 6,90403 2,31943 0,768411 1483.58	43 4627 7 87747 2 07514 6 99611 2 33949 0 772581 1559,93	4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	+1.11 +1.04 +0.67 +0.67 +0.49 +0.74 +3.12	±1.5344 ±1.5404 ±1.0981 ±1.3674 ±1.5012 ±1.6684 ±4.0752

### Changes are for Ecx, therefore positive change desotes 4 weak correscy tollastonent calculated by Flusarial Times.

### **POUND SPOT- FORWARD AGAINST THE POUND**

Canada         2,6748 - 2,0920         2,0755 - 2,0765         0,11-0,02cm         0,33         0,30           Relplanaris         3,493 - 3,51         3,493 - 3,50 a         11-13-cpan         5,57         6           Belglan         64,85 - 65,30         65,00 - 65,10         34-12-cpan         3,32         6           Belglan         11,784 - 11,784         11,794 - 11,794         11-1-cpcan         462         402         0,51         11-cpcan         462         402         0,51         11-cpcan         11-cpcan         462         402         0,51         11-cpcan         462         402         0,51         11-cpcan         462         402         0,51         11-cpcan         462         402         0,51         10-cpcan         11-cpcan         462         402         10-cpcan         10-cpcan         10-cpcan         10-cpcan         10-cpcan         10-cpcan         10-cpcan         10-cpcan <th>June 28</th> <th>Day's</th> <th>Close</th> <th>One anouth</th> <th>2</th> <th>Three months</th> <th>% 0.4</th>	June 28	Day's	Close	One anouth	2	Three months	% 0.4
Austria 21.81 - 21.93   21.81 - 21.84   10-9ecom   5.22   30%	Cenade Rederlands Belgium Deseart Ireland W. Germony Portugal Italy Spain Italy France Seeden Japas Austria	20745 - 20920 3494 - 151 64.85 - 65.30 11.784 - 11.83 11539 - 11605 3094 - 3.11 t <sub>2</sub> 228.80 - 256.35 204.45 - 206.25 2094 - 23.11 t <sub>2</sub> 11.244 - 11.35 10.655 - 10.554 10.655 - 10.75 224 - 225t <sub>4</sub> 21.81 - 21.93	2075-20765 3.4%-5504 65 00-65.10 11.794-11.794 11.565 5104-3114-5230-205.0 205.50-205.0 205.50-205.0 11.244-11.254, 10.664-10.474, 10.664-10.494, 2244-2254	0.11-0 Gizenn 13-13-pm 24-12-pm 13-10-2-pdb 13-10-2-pdb 13-10-2-pdb 13-14-pm 26-4-edis 8-18-dis 24-33-predis 23-13-predis 13-3-pm 10-3-psonn 10-3-psonn	0.38 5.57 2.50 2.82 2.764 2.764 2.764 2.75 2.75 2.75 2.75 2.75 2.75 2.75 2.75	0.84-0.79pm 0.30-0.18pm 65-52pm 65-52pm 0.50-0.65db 40-33-8m 101-20146 15-27-85 15-27-85 14-2-45 14-2-45 34-2-2-45 30-2-2-3-2-2-4 4-3-4-4-4	1.90 0.46 5.360 1.49 -1.53 -2.41 -0.78 -2.24 -0.53 5.397 6.33

### DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

ł	0140014	June,20	spread	Close	One month	p.a.	Potenths	p.a.
	0.668516 1.15286 1.38852 14.6021 43.4627 7.87747 2.07514 2.33949 6.99611 1539.93 159.445 7.52412 1.71718 145.783	UK Incland Inclands Belgiam Demark W Gernary Portugal Spain Money Stands Spain Money Stands Spain Money Mone	17140 - 1,7280 -1,4850 - 1,4965 1,2030 - 1,2115 2,0270 - 2,0410 37,66 - 37 90 1,7920 - 1,800 1,471 - 1,484 1,1840 - 1,1970 1,534 - 1,343 1,534 - 6,593 6,195 - 6,244 1,29,65 - 1,31,00 1,236 - 1,31,00 1,31 - 1,3	1.7185 1.7195 1.4855 1.4866 1.2070 1.2080 2.0375 2.0385 37.80 37.90 6.85 1.8085 1.8095 1.8085 1.8095 1.804 1.8045 6.54 6.54 6.54 6.54 6.54 6.54 6.54 6.54	0.26-0.23cpet 0.08-0.15cdls 0.12-0.15cdls 0.12-0.15cdls 0.50-0.55cpet 0.50-0.55cetls 0.50-0.55cetls 20-30cetls 2.00-3.00lleds 0.33-0.13cpet 0.33-0.13cpet 0.30-0.37cpet 0.40-0.37ppet	171 -092 -134 391 175 -0344 -388 -252 -264 -045 -256 -256 -256 -256 -256 -256 -256 -25	0 84-0,79m 0 19-0 29th 0 42-0,45ds 1 78-1,74m 10 60-14,00pm 0.65-1,15ds 1.55-1,51pm 130-180ds 63-73ds 7.99-9.9dds 8.00-6 20ds 0.80-0,30pm 1,8-1,12pm 1,8-1,12pm	190 -0.64 -1.44 -3.47 -1.75 -3.40 -4.22 -2.66 -4.30 -2.39 -3.47
Ĺ	0.7772383,	Suitoriand	1.4875 - 1.4985	1.4955-1.4965	0.55-0.52cpm	4.31	1.64-1.59pm	4,34

### t UK and tretand are quoted in US corrency. Forward premises; and discounts anoly to individual corrency, Belgian (site is for convertible franca, Financial franc 38.00-38.10.

EURO-CURRENCY INTEREST RATES										
June 28	Short. tents	7 Days optice	One Month	Three Months	Six Montes	Doe Year				
Sterling US Dollar Can Dollar O, Golder Sw. Franc Deutschmark Fr. Franc Italian Live B. Fr. (Flu)	83-85 75-75 83-85 24-25 24-24 44-44 73-73 53-54	984 784 984 984 984 984 984 986 986 986 986 986 986 986 986 986 986	95-91- 75-75 81-91- 31-31- 31-31- 46-43 72-73 10-91- 64-51	93-94 74-74 94-9 43-44 54-34 42-45 74-74 103-10	10-93 8-73 9-3-9-1 43-45 35-33 45-45 76-78 10-3-10-2 6-6-6	104-104 82-84 93-95 41-44 33-34 48-44 8-73 112-114 65-64				

Yes	31.33 81.63 71.75	415-45 81-85 74-74	4 3 4 7 6 6 5 7 3 7 4	43-44 9-83 7-74	41.44 985 8.74	41.44 81.84
Loop term Enrodollar 91 <sub>2</sub> -91 <sub>6</sub> per cent accelual	s two years L Short term	9-84, per cent; t rates are call h	tarse years 9%-5 or US Dollars ar	per cent; four y ni Japanese Yes	ears 9½-9¼ po others, two da	r cent; five yes ys' modice.
EXCHANGE C	ROSS R	ATES				

June.28	٤	S	DM	You	F Fr.	S Fr.	. HFL	Lina	CS	B Fr.
E	1	1.719	3.110	225.0	10.47	2.573	3.503	2305	2.076	65.05
S	0.582	1	1.809	130.9	6.091	1.497	2.038	1341	1.208	37.84
OM	0.322	0.553	13.82	72.35	3.367	0.827	1.126	74 <u>1.2</u>	0.668	20 92
VEN	4.444	7.640		1000.	46.53	11.44	15.57	10244	9.227	289.1
F Fr.	0 955	1.642	2.970	214.9	10.	2.457	53%	2202	1.983	62.13
S Fr.	0.389	0.668	1.209	87.45	4.069	1	1361	895.8	0.807	25.28
# FL Lira	0.285	0 491 0.746	0.885	64.23 97.61	2 989 4.542	0.735 1.116	1 520	658.0 1000.	0.593	18.57 28.22

# 0.828 1.498 108.4 5.043 2.643 4.781 345.9 16.10

FT	LONDON	INTERBANK	FIXING

(11.00 a.m. Jane 20)	3 months US dollars	6 marries US Dellars			
bkt 73 <sub>6</sub>	offer 7%	bid 7%	ofter B		
The fixing rates are the arithm by the market to five reservoir Tokyo, Deutsche Bank, Banco MONEY RATES	elic means rounted to the reart tanks to 11.00 a.m. tach wor e National de Paris and Morp e	s one-sixteenth, of the bid an ting day, The banks are Natio an Golkranty Trust.	i offered rates for \$10m ga nai Westminster Bank, Ban		
NEW YORK (Lunchtime)	One morath	easury Bills and Bone 585 Three 612 Foury 682 Filese	er		

Prime rate	9 81 <sub>2</sub> 75-5	One month		6.12 Four: 6.82 Five: 7.09 Seven 7.52 10-ye	7627	0.42 853 876
Jane. 28	Chernight.	One Montis	Two Months	Three Mortis	Şix Montis	Londard
Frankfart	430-450 71-71-11-11-11-11-11-11-11-1-1-1-1-1-1-	410-425 7'4-7'4 24-34 38-31 38-675 103-114 6-65 74-74	415-430 72-73	4.35-4.50 714-714 3-314 42-434 4 83125 11-1114 614-614	450-465 71-72	4.50 7.00

### LONDON MONEY RATES

	June 26	Oversight	7 days notice	Month	Three Months	Six Months	One Year
1	Interbank Offer	10	93 83	915 915 915	10 91	101. 10	10½ . 10½
3	Sterilog CDs Local Authority Dees	ē		} ?£	93 93 81	10 93 95	器
•	Local Authority Boads		1 ?		é%	912	91
	Olscount, Mict. Deps	2	2	맖	91 10	10	101
	Company Desesits	8%	8%	95g 95g	9%	썦	104
•	Treasury Billis (Bort)	-	] -	95	25	01.	
ľ	Bank, Bills (Boy)	:	i : '	10%	10%	10%	: :
Į	Dollar CDs	-		7.75-7.70	7.75-7.70	7.95-7 90	٠,
	SDR Linket Dep Offer	:	l : '		64	65	69
Ŀ	ECU Linked Dep Difter		-	52	6.5	614	落
	ECU Linked Dep Skd	_ <del></del>	<u> </u>	51.	64	62	62
	Treasury Bills (sell); or	g-month 9 % p	er cent; three m	conto 9 % per o	ent, Kank Sult O 0371 a.c. El	CHIT DOE-DOR	Stanton Entern Fil A'S bet çent.
	three months 9% per cred; Finance, Make up they May	31 1988 A	Antrage tender breef rate, for i	race or discount period Jupe.25	1988 to July 2	5 . 1988, Sche	ne i 437 pc.
•	Schemes II & IU. 9.39 p.c.	Reference rate	or period April	30.1988 to Ma	y 31 , 1989. Sc	terne IV & V B	Lisp : Local

### Short sterling and gilts firm

THREE-MONTH sterling deposits attracted renewed demand in yesterday's Liffe market, despite an increase in base rates. The contract was bought soon after the Bank had signalled a rise for only half a point to 9'/2 p.c., because positive step in the fight against half a point to 9'/2 p.c., because rising inflation. September tool to the cash and futuras had tracts moved up to 94-13 at the already discounted a full one point rise.

point rise.
Consequently the September price rose to a high of 89.94 from 89.73 at the opening, and finished at 89.91, compared with 89.74 on Monday.

the fixing to FFr3.3715.

to DM1.7966 from DM1.8235 ou Monday. Elsewhere the D-Mark rose to Y72.36 from Y71.92.

İ	LIFFE £/S 9PT100S £25,400 (cents per £1)						
	Strike Price 155 160 165 170 175 180 185	JUL 1193 693 278 61 6	21ements AUG 2193 717 365 146 44 10	Puts-58 JUL 0 11 102 385 830 1324	15 66 214 495 893	Stril Pric 910 912 915 917 920 922 925	
ı	Estimated	volume to	tal, Calls	91 Pues 0		Estima	

Close High Low 1 103.80 103.55 103.00 10 102.20 10

Est. Vol. (inc. figs. pet shown) 19968(23436) Previous day's open int. 29083(27928)

Est. Vol. linc. figs. pot showni 5956(7558) Previous day's open int. 29730(29150)

CURRENCY FUTURES

LIFFE-STERLING £25,000 S per £

Estimated Volume 26(58) Previous day's open int. 209(182)

POUND-S (FORESCH EXCHANGE)

THE STEEL THE SE BOT E

87-28 87-08

1.7257 1.7146

1-mth 3-mth 6-mth 12-mth 17166 17109 17032 16402

1,7148 1,6942 1,7068 1,6852 1,6774

FT-SE 100 IMPEX E25 per full lades pelul

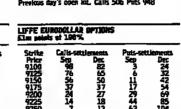
evious day's open int. Calls 837 Pats 25 PHILABELPHIA SE E/S OPTIME £12,500 (costs per £1)

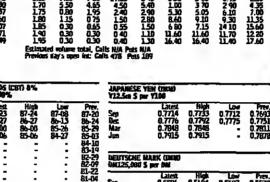


LONDON (LIFFE)					CHICA	GO			
28-YEAR NOTHINGAL CR.T £50,000 32mds of 100%				U.S. TREASURY BONDS (CBT) 8% \$100,000 32nds of 100%					
7-10 YEAR	Close 118-00 94-13 Volume 2818 sy's open int. 2 9% Norto 2 2 2 180°	37641(3	7458)	Pres. 117-28 93-30	Sep Dec Mar Jun Sep Dec Mar Jun	Bb-27 86-00 85-06	High 87-24 86-27 86-00 85-06	87-08 86-13 85-26 84-27	Pre. 87-20 85-24 85-29 85-19 85-19 82-29 82-09
Jun Sep	94-25 94-10	High 94-22 94-08	94-22 94-04	Prev. 94-26 94-02	Sep Dec Mar	. :	:	÷	81-22 81-04 80-19
	Volume 6402 Ly's open lint,		751		U.S. TREA	SURY MILLS (13 of 100%	440		
ES NOTES	MAL LONG T	ERM JAP 180 %	ANESE G	SYT,	Sep	Latest 93.23 92.00	High 93.23	93 17 93 17	93.27

.93 .13	Sep Dec Mar Jun Sep Dec Mar	Latest 93 23 92 98 92 80 92 67 92 55 92 46 92 38	High 93.23 92.98 92.81 92.67 92.55 92.46	93 17 92 92 92.77 92.64 92.50 92.45 92.37	93.2 93.0 92.8 92.6 92.4 92.4
		ANC (DIN) DO \$ per SFt			
74 80 93 95	Sep Dec	Extest 0.6766 0.6844	High 0.6787 0.6860	0.6766 0.6840	0.669 0.677
os.	Mar	0.6915	0.6925	-	0.680

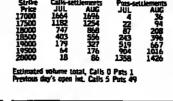
US Treasury bonds opened lower as the dollar lost ground, after central bank intervention.

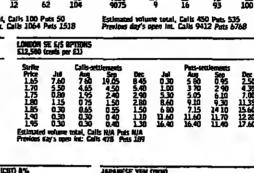


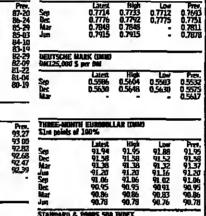


September price slipped to a low of 87-08 from an opening level of 87-16, but recovered strongly to finish at 87-27, although this was

also turned to finish on a better note, helped by a rise on Wall Street. The June price finished at 185.40, up from 184.65, and show-







### BASE LENDING RATES Adam & Contpany AAB - Alfied Arab Bit ...... Alfied Irish Bank Co-operative Bank ..... Courts & Co Associates Can Corn

TOTAL VOLUME IN CONTRACTS . 35,164 C-Call

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• Members of British Merckan Banklag & Secritles Hosses Association, 7 day deposits 3 46% Savewise 6,66%, Top Tier-£10,000-instant access 8,55% & Mortgage base rate. § Demand deposit 3.91%. Mortgage 9.125% - 9.5%

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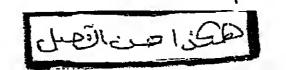
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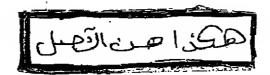
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I Going over a church in the utmost discomfort (3) 6 The back lawn is attractive (5) 9 Put off in the past - made ter-	(7) 6 A mother, quiet and dull (4) 7 Post some grafter wanted (5) 8 Ask a higher price for fish	Description of the second state of the second	EAM H13 April 16 1924 1 1939 1 7 2 18 4 19 4 1	To Moural 1002 1007 - 160.01 100 100 100 100 100 100 100 100 100	Australian Granth 43.7 4 6 1.0 5.13 Europe Per Cent 50 1.0 5.13 6.0 5.0 60 60 60 60 60 60 60 60 60 60 60 60 60	POTRE STATE OF CASSAGE FRANCE 71, Queen Victoria St, London ECAV 4DE 01,489 2378	Sem Life Triant Majornt Ltd 101, Canon St. Loten EDW Sch Admin & Car: 01.406,494
rible mistakes (5)  10 It just shows the heights to which one may rise! (9)	caught in swell (9)  13 The eccentric got in, since causing division (10)		GAM Pric UKAcc	8 All 36 Geo 405	7,000 27,3-0.1 03,0 27,3-0.1 03,0 27,3-0.1 03,0 27,3-0.1 03,0 27,3-0.1 03,0 37,0 37,0 37,0 37,0 37,0 37,0 37,0	Select Sec Act	Amer income led
11 Coalfields shake-up responsi- ble for cut fare (6.4) 12 A redhead child can be rogu- ish (4)	14 Bloomer over a weather-vane? Rubbish! (9) 16 Many hit back in wise fashion to express cootempt (9)	Durney II Unit Tet Migast Ltd	American Gents	Oc (Accura) 355 940 7 - 0 1 1 2 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	Access Units	Reyal Life Fd Usprit Ltd Po Sox 34, Pratriorant FEZ UIE Prince 0345 (22537 Reyal Life Fd Usprit Ltd Po Sox 34, Pratriorant FEZ UIE Prince 0345 (22537 General Eng. 1733 (23900) Egypt 737 (23900	37.5 34.8 -0.32.44
14 Invalid puff about obligation (7) 15 Fine though micor role in	18 Leaves a cigarette in general (7) 19 To be sure, ate pie, though	Description Size	Sept	GUIDE TO UNIT 1	RUST PRICING	10   10   10   10   10   10   10   10	1,00,00
"The Merry Wives of Windsor" (7) 17 Personal cover only raised when it's really fair (7)	quite hard (7) 21 The sovereign has a place in the mountains (5) 23 Monched at to occupy the	Democritic Unit 131 Minure Ltd (24.39)F 25. Enrichton Terrate. Edinburgh (23215.250) 8-rich Geth — 518.1   157.0   179.01 -0.51 (25.05) European Gents 9   123.4   125.0   25.0   15.0 (25.05) For East to 52.7   23.0   25.0   15.0 (25.0 ) Income   120.0   120.0   120.0   15.0 (25.0 ) Income   120.0   120.0   120.0   120.0 (25.0 ) Incomer (27.0   100.0   120.0   120.0   120.0 (25.0 ) Easter (27.0   100.0   120.0   120.0   120.0 (25.0 )	UK Seel Cri	The data included under the Acthorised section being expanded to improve the service to reade INITIAL CHARGES.	of the FT Unit Trust Information pages is as and to conform with new legislation.	US Grant Phys	Swiss Life Pen Tst Man Co Ltd (1200)M 9- Jul Lowin Rd, Seventhr Bouthy Bis. 322, 0 325 has 347 1-17 b of Zanty Acc. 3215 0 317 has 462 1-12 b of Eliza Inc Dies. 3115 0 117 has 462 1-12 10 0
19 The entertainer's attire's bizarre! (7) 20 Call sharply for the old-time	evening (5)  24 When holding back for example appears more mature (4)	100   100	Greichein Unit Tet Mingrs 1 Hometod P. Santhameton S00 1AV 0745 212080	These represent the marketing, administrative a purchases. These charges are included in the pOFFER PRICE.  The price at which units may be booghe.  BID PRICE.	nd other costs which have to be paid by new rice when the castomer lays units.	Ornel I anden Halt Tet Mary 1 Ld	Fined int die: 3115.0 117 im 1213 -6.40 27 - Flood int Acc 3200 A 206.0 214.2 - 0.70.20 The Chariton Pi, Andrew, Huma. SP10 110 026463636 150 Anterican 100.6 100.11-3711.40-
record (4) 22 Hand one over at one point, being over-eager (10) 25 Agreed on a cocktail as the	Solution to Puzzle No.6,887 TII P PE DETELLEGRAM OR WEST LELEGRAM WHOLESOME ELVER	EFM Unit Tst Mages Ltd 9 Mehille Cresses, Erlanogh 60-35-0-90 526 American 60-3 64-1 -2-01 May Capital 130 1 1312 -0-4 1-65	int leave Get 224 243 - RD Anne Get 215 250 - C	The price at which units may be sold,	prices is determined by a formula laid down	James & Greath 779 Lat 127 2) (45.5	De Accessed 100.1 - 9.71 A6- De Accessed 107.5 12.3 - 9.79 Las De Accessed 55.5 56.4 +0.22 A5
oon-alcoholic drink (9) 26 Not fitting in a drill (5) 27 The poet's weekend food (5)	WHOLESOME FLVER PPRWVCEY APEX PARENTSDAY TIMER NR	Dovertibles	Primer Hall 879 AustroFrier, E129 2AE 01-988 5317 Grefuel American 86.7 91.2 -3.9 2.0 Grofuel American 67.34 70.8 -2.7 2.18	The reasimum spread between the offer and bid to the government. In practice, unit trust men result, the bid price is often set well above the microcalization price in the table. However the bid pin circumstances in which there is 2 large excention.	as an acricia on miles data, ordinar-	3, Fleshory Sc., EC2A 187.	138 Smaller Car
28 Perpetually gulfible, so maybe box (9)  DOWN  DOWN  The main way and downs (5)	HALBERD STOLER SEL OLR GROUTS GVEWASH	7400 1949 207.0 405 -	0 5 5 5 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	The time shown alongside the fund manager's na- dealing prices are normally set unless another it individuals tent outs name. The symbols are as for 1400 hours: 5 – 1401 to 1700 hours; 6 – 170 HISTORE PRICERS		Capital Sale to 294.1 314.51	Do Accom 182.7 - 19.8213   506.1 37.6 - 14.115   506.8 37.6 - 14.115    506.8 37.6 - 14.115   506.8 37.6 - 14.115    506.8 37.6 - 14.115   506.8 37.6 - 14.115    506.8 37.6 - 14.115   506.8 37.6 - 14.115    506.8 37.6 - 14.115   506.8 37.6 - 14.115    506.8 37.6 - 14.115   506.8 37.6 - 14.115    506.8 37.6 -
1 The main ups and downs (5) 2 Person providing clothing for a mechanic on strike? (9) 3 An antelope – sound bealthy	J G E V S B E AUTHORISED HOSO C H P S R F E S	Series Institute (18 - 18 - 18 - 18 - 18 - 18 - 18 - 18	General Content   Conten	The letter if denotes that prices are set on a high been an intervening portrolls revaluation, (need the prices appearing in the newspaper which has value.  THE WARDS THE THE		Fin & Preserty CO	On Access 22.2 223.2 4.103.1
animal (10) 4 The guy allowed to arrange the flowers (7)	KNELT MISCHEÄNT ARSIOSIA TIMERIOK BERENT	For Camero Acc \$ 1147 1177 125.5-1.5 All European Acc \$ 409 78.7 734-05.137 US GH: A Fi bet \$ 90.0 95 bet 97 07-01 R.RT US GH: A Fi bet \$ 90.0 95 bet 97 07-01 R.RT US GH: A Fi bet \$ 90.0 95 bet 97 07-01 R.RT US K-13 Acc \$ 37 9 64.84 64.5 -0.27,59 bet Spor Sites Acc \$ 38.5 38.5 41.1 -0.01.64	PRO States   252.4 404.71-4.4[.70 200.5 20	The letter of courtes that prices are set on a for definite price in advance of the purchase or sale to newspaper show the prices at which deals were	ward basis so that investors can be given no etro carried out. The prices appearing in the carried out yesterday.	Heritagues June 16	91.7 97.31-0.40.231 91.7 97.31-0.40.231 31 Unit Trust Managers Ltd (1200) 31 Home Rt Selbut 591.304 91.7021.7256 Small CF 5 H

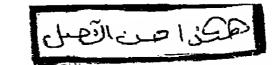




### ET LINIT TRUST INFORMATION SERVICE

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34	Financial Times Wednesday June 29 1988
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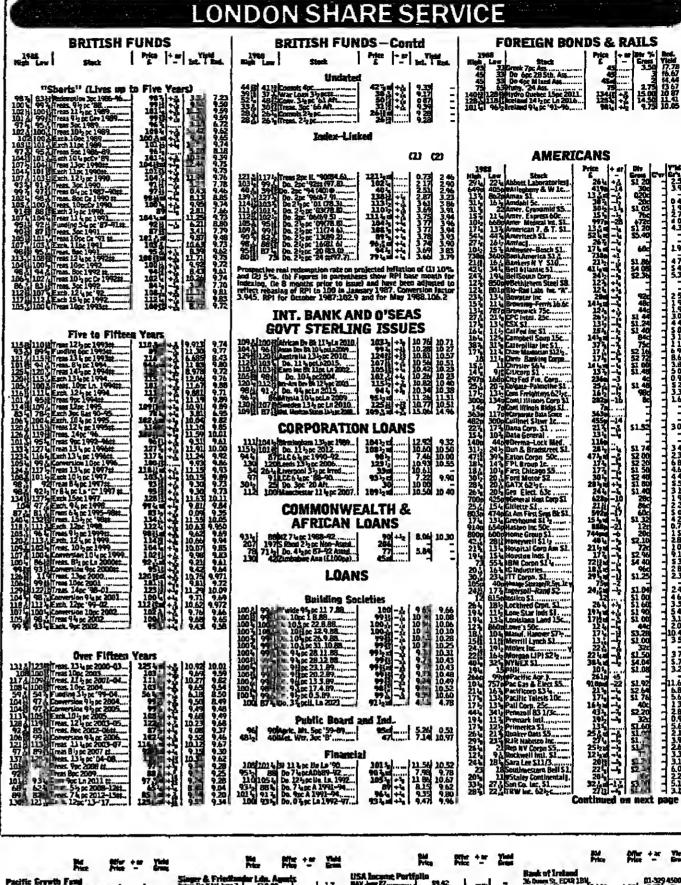
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180 | 1400Woodsheter (R20p. v| 2064 | 100 | 100 | 100 |

180 | 1400Woodsheter (R20p. v| 2064 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100

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INDUSTRIALS (Miscel.) - Contd.

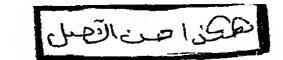
| Table | Sept |

**INSURANCES** 

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42 - 41 - 41 - 51 - 51 - 51 - 51 - 51 - 51 - 51 - 52 - 51 - 52 -

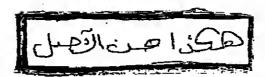
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	LONDON SHA	ARESERVICE	
BUILDING, TIMBER, ROADS -	DRAPERY AND STORES - Contd	ENGINEERING - Contd	INDUSTRIALS (Miscel.)—Contd
1988   Lew   Stock   Price   -	1988   Lew   Stack   Price   + er   Bir   Vrid   Med   Cvr   Sr   Price     Price     Cor   Sr   Price   Cor   Sr   Price     Cor   Sr   Price     Cor   Sr   Price     Cor   Sr   Price     Cor   Sr   Price     Cor   Sr   Price     Cor   Sr   Price     Cor   Sr   Price     Cor   Sr   Price     Cor   Sr   Price     Cor   Sr   Price     Cor   Sr   Price     Cor   Sr   Price     Cor   Sr   Price     Cor   Sr   Price     Cor   Price     Cor   Sr   Price     Cor   Price   Price     Cor   Pri	1968	1900   1900
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1	65 400eraturo intl. 50. V 65 15. 1.6 3.8 16.9 16.9 1004bersams Elect. V 143 - 2 4.05 4.0 3.8 8.7 3.6 16.9 1004bersams Elect. V 143 - 2 4.05 4.0 3.8 8.7 3.6 2.7 3.8 2.7 3.6 2.7 3.8 2.7 3.7 4 2.9 6.5 1.3 13.1 2.9 6.5 1.3 13.1 2.9 6.5 1.3 13.1 2.9 6.5 1.3 13.1 2.9 6.5 1.3 13.1 2.9 6.5 1.3 13.1 2.9 6.5 1.3 13.1 2.9 2.0 4.3 3.8 2.7 3.2 2.1 2.1 1.7 0.1 1.5 0.2 2.1 4.3 4.2 2.2 2.2 2.1 1.3 1.5 3.1 12.8 4.3 1.5 1.5 3.1 12.8 4.3 1.5 1.5 3.1 12.8 4.3 1.5 1.5 3.1 12.8 4.3 1.5 1.5 3.1 12.8 4.3 1.5 1.5 3.1 12.8 1.5 1.5 3.1 12.8 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5 1.5	711 Address Benefall's   66	188 133Bandene 50 v 175 155.3 3.6 4.2 8.6 108 90ACAGABIERS 10p v 185 3.0 0.7 38 2a.0 257 135CCF 58 v 148 45 3.0 0.6 8 2.9 6.9 156. 123Ck Indiastis 10p v 148 45 3.0 0.6 8 2.9 6.9 156. 123Ck Indiastis 10p v 148 45 2.0 3.0 0.6 8 2.9 6.9 156. 123Ck Indiastis 10p v 149 45 2.0 0.6 8 2.9 6.1 3.0 0.7 3.1 2.7 13.4 0.2 13.5 12.5 12.5 12.5 12.5 12.5 12.5 12.5 12
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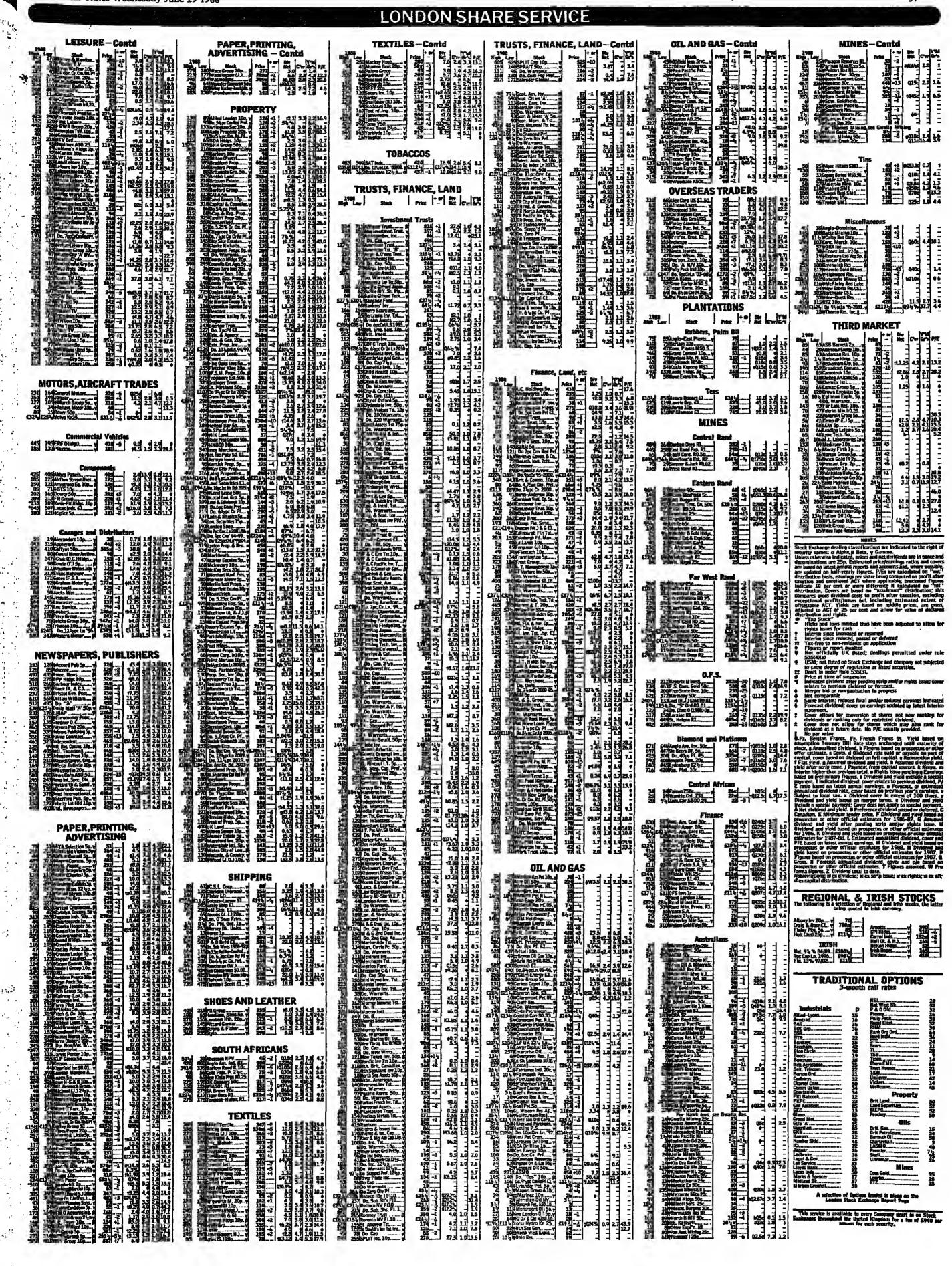


Section 1

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THE ROUND of half point increases in UK base rates found a favourable reception yesterday in London securities markets which had feared that the Bank of England might push rates up by a full point. The City was hopeful that the half point rise will help to restrain domestic inflation and stabilise the pound.

Bond market specialists expressed diverse views of yesterday's performance, however, Nick Whitney of Warburg Securities commented; "base rates of 9½ per cent are not nearly high enough to depress domestic demand". He believes that short term rates will have to rise again, with negative implications for both bonds and equities.

A bond dealer at a US bank, took a more sanguine view. "It could he that this is the last move in UK rates this tima round", be said, noting that UK base rates have been raised four times this month.

Both bonds and equities bounced higher as marketmakers, caught out by the sodden turn in the mood, burried to buy stock. The about-turn in equities took the FT-SE Index from an early fall of 13 to a final gain of

At the close, the FT-SE 100 Index was 15.4 points up at 1856.9. Seaq volume of 396.7m shares (390.7m on Monday), indicated a brisk but not heavy day's

The close of the session brought a rash of gains as marketmakers chased one another's quotations on the Inter-Dealer Broker (IDB) screens, seeking stock to meet both Monday's bear sales and also renewed specula-tive excitement in the insurance

London was also helped by an initial improvement on Wall Street following the sharp fall of the previous session. However, the international blue chips were held back by Central Banks' restraint on the US dollar.

The market impetus came from the financial pitches where rumours that UK insurance groops might prove to be the next targets for European hid moves resurfaced.

Government bonds closed with gains of 1/2 a point, helped mostly by professional buyers, many of them closing bear positions opened in the previous session.
Bonds had already been falling
for two trading sessions before
Monday's rout, and looked oversold when the market opened

Some interest was shown in

## Bonds and equities bounce higher after expected

rise in base lending rates

Index-linked issues, which added a or so. Traders said the sector was following conventional Gilts rather than responding to inflation concerns.

Legal & General spearheaded another scintillating performance by a life assurance sector buoyed by ever-growing takeover speculation and booming sales of per-sonal pensions. Legal obares jumped 15 more to 321p on turnover of 3.7m in a market alive with stories that Trieste-based Italian insurance group Generali is about to sell its stake in Compagnie du Midi and launch a bid

for Legals.

Prodential also attracted heavy huying interest and leapt 10% to 167%p on turnover of 5.2m although takeover talk here was shrugged aside by dealers. Abbey Life added 7 at 324p, London and Manchester 10 to 295p

RHM rebounded as short-term operators regained confidence, and speculation concerning the Goodman Fielder shareholding of 29.8 per cent resurfaced. On this occasion, however, there was a twist to the story, Goodman is now rumoured to have discarded intections of hidding for RHM and is considering the disposal of half of the stake, using the proceeds for an assault on a smaller

UK food group. Several domestic food majors were said to be keen on acquiring the RHM shares, with the market naming Hillsdown as the likely favourite. Volume, at 3.5m shares, was slightly disappoint-ing and the upward momentum in the price owed much to stock shortages. RHM settled 19 higher

Racal shares dropped to 337p before picking up to close a net 5 lower at 340p on turnover of 5.6m ohares after the company revealed preliminary profits up (£100.2m), and further details of the flotation of the group's Vodafone division, planned to take

place in October. The market was disappointed by the performance of the non -telecoms husinesses, while there was continuing concern over opposition from a number of UK institutions and Millicom, the US holder of a 5 per cent stake in Racal, to the proposed sell-off of np 25 per cent of Vodafone.

Pilkington opened slightly easier, hat firmed through the day as the market focused on possible bid stocks. Phillips & Drew was said to have been a large player in both Pilkington shares and options and dealers thought a hedged position was behind the activity.

-	FI	NANC	IAL 1	IMES	S STO	CK II	VDICE:	5		
·	June	June	Jume	June	June	Year	19	288	Since Co	notiation
	28	27	24	23	22	Ago	High	Low	High	Low
Government Secs	88.88	87.98	88.45	89.82	89.15	90.41	91_43 (18/4)	86.97 113/13	127.4 (9/1/35)	49.18 (3/)./75)
Fixed laterest	97.61	97.61	97.83	98.02	97.99	97.04	98.67 (25/5)	94.14 68/D	105.4 (28/11/47)	50.53 (3/1/75)
Grdinary ♥	1477.4	14681	1494.9	1496.7	14%.5	1784.6	1496.7 (23/6)	1349 0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Miles	215.7	211.5	213.3	214.1	215.7	380.7	312.5 (7/1)	195.4 (13/5)	734.7 115/2/831	43.5 126/10/71)
Ord. Div.Yleld	4.49	4.53	4.45	4.44	4.45	3.21		S.E AC	TIVITY	
Earnings Yld. %(foll)		15.62	15.40	11.38	11.14	7.74		edices	June 27	June 26
P/E Ratio (net)(*) SEAQ Bargains (Spm)	10.58	15.49 26,221	15.69 24,338	18.71 28,183	15.69 24.746	13.90 47,585	Equity Barr Equity Valu	Bargalos galos	1947.7	112 1 181.4 5375 4
Equity Turnover (£m) Equity Sargains	-	963.61 24,134	2559.42 27,995	1537.32 30,5%	1075.98 27,142 443.1	4199.79 62,461 820.2	Gilt Edged . Equity Bary	age Bargains pains	174.6	112.0 175.6 2809.4
© Opening 10 a		375.5 11 8.m	-	573.1 P.m.	1 p.:	n.] [	2 p.m.	3 p.m.	4	p.m. 73.9

Day's low 1455.1 Day's High 1480.6 Basis 100 Gort. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/35, S E Activity 1974, \* NII=10.48.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

turnover was 4.3m shares. A improved market as aggressive

round that a large buyer was still Argus Press subsidiary might lurking in the background. He refrained from operating yester-day but his recent activities have aronsed speculation of stake-building as a prelude to a full bid.

Marketmakers still reported considerable husiness in the stock which rose 13 further to this year's high of 198p. Hopkin-sons, which along with Meggitt 10 higher at 454p, while the for-has had talks with Rotork in the mer jumped from the 468p ruling recent past, was rumoured to be a possible suitor, but the group yesterday denied having aspira-

tions to take over Rotork. International stocks closed on turnover of 6.1m.
enerally better in reaction to the The latest hike in interest rates enerally better in reaction to the interest rate rise. Dealers had been discounting a full percentage point rise and were surprised clearing banks. Lloyds rose 7 to sequent sterling reaction led to NatWest added the same to 572p an improvement in prices, with and Barclays and Midland 4 Glaxo shaking off its recent poor applied to 410p and 440p respectively.

form and rising 7 to 965p.

ICI edged up 2 to £10% in turnover of 1.5m shares, while both ahead of Thursday's interims and Beecham, up 6 to 468p, and Reckitt & Coleman, 8 better at 926p Scrimgeour Vickers issued a itt & Coleman, 8 better at 926p followed the market higher. Hanson was again sought by US buyers and 99m shares traded. At the close the price had recovered from its low of 139p to finish marginally worse at 141%n.

hardened 2 to 107p; Citicorp Scrimgeour Vickers issued a "buy" recommendation on the stock forecasting "superior profit performance over the next five years — we expect it to make over £1 bn in 1992."

The day's only near the price had recovered a given by the performance over the next five years — we expect it to make over £1 bn in 1992." ginally worse at 141½p. The day's only new issne,
Smith & Nephew was an sports and leisure footwear spe-

small shortage of stock contrib-uted to the rise.

Rotork, the valve control and machine tool manufacturer, surged higher as word went surged higher as word went predictions that the sale of its author to the rise.

Improved market as aggressive classes Hi-lec, and a disappoint-ing debut after opening at a 3 point premium to its offer price of 160p. The subsequent lack of buyers wiped out the early gains and the stock eventually closed

raise around £300m. Initially depressed, oils made excellent progress later in the session with the so-called bid favourites - Enterprise and LASMO - heavily supported towards the close.

The latter, sold down to 438p at early in the day to close a net 9 up at 494p. BP "old" settled 4½ firmer at 257p with 4.7m traded while the "new" added 2 at 621/2p

TSB attracted strong support

Do, 8-Lpc Ln. 2000-05, SHEPPRIC (1) Turnbull Scott, TEXTRES (3) Atlans Bros., Lowe (Robert H.), Readicut, TRUSTS (5) Eng. 8, Int'l. Tat., Flaming, American, Govern Strige, Inv., India Fund, London Fortaling, Yelvarton Inv., OLS (2)

**NEW HIGHS AND LOWS FOR 1988** 

NEW HIGHS (77).
BRITISH FURBS (1) AMERICANS (5) CANADIANS (2) BANGS (1) Reflex Inva., BREWERS (1) Burtomocod Brewers, BULLONGS (2) McLaughlin & H., Sandsil (Wm.), Smart (1), CHEMICALS (1) Novo Inds, TP Kr., STORES (1) Liberty, ELECTRICALS (2) Cray Electronic, Radamec, Texhiba Corp., ENGINEERING (6) Cohen [A.I., GEI Int'L. Hall Eng., Rotoric, SKF AB., Thornton (G.W.), FOODS (8) Bart (AG.), Beristonic (G. W.), Borttwick, Brake Bros., Food Inds., Meat Trade Supples. INDUSTRIALS (14) Asniey Inds. Tab. BTR Nylez, Cathey Pac., Davies & Newman, Espelic, Fuel Tech., Johnson Cleaners, Malicap, Marting Ind., Nortolk House Grp., Shorapian, Sinclair (Wm.), Spring Ram, Yale & Valor, Insurance (3) Long & General, Libyd Thompson, Sun Lile, LEISURE (1) Quadrant Group, Mottors (2) Dowly, Western Motor, PAPERS (5) Bentrose, Lopex, WPP Group, Welmooghs, PROPERTY (5) Akied Lon. 3-kpc Cv. Rd. Pl., Caird Group, Esta. Prop. kw., Leing Properties.

**LONDON TRADED OPTIONS** 

down 2 at 158p.

Brewery stocks continued to find little buying sopport and

marketmakers concentrated on taking turns in dealing with each

other. Grand Metropolitan was a late highlight amid rumours that it might purchase part or all of

Goodman Fielder's stake in Ranks Hovis McDougall. The

shares put on 6 to 510p in turn-

Vaux continued to be a strong market, adding 4 to 604p as new

huyers took e chance oo stale bid speculation. Allied Lyons fell to

419p in early trading, hut later recovered to close a penny down

options market suggested that to close a net 6 higher at a year's bld hopes had not entirely disap-

presentations yesterday, Next timent. Shares in Williams Holdwith City institutions, and Burtons at a lunch with Sir Ralph Halpern in Edinburgh. Naithar 407p as early judgement had much affect on the market, suggested that pilot error may bowever, as Next improved just 1 have been responsible for Sun-to 255p and Burtons dropped by day's air crash in France. Dowty the same margin to 227p. firmed 3 to 202p after Monday's

the same margin to 227p.

Stead & Simpson continued to fall after the board's rejection of Clayform's £108m bid, the "A" for news of expansion plans. shares closing a further 8 down on 128p. There was early turnover in Sears after a im bargain year included Home Counties, up at 120p, but in later two-way trad- in market makers appeared to the search of the counties. ing market-makers appeared to rose 5 to 222p. Agency Lopex con-be pushing tha price down so tinued to rise on hopes of a Euro-they could buy the stock back at pean approach, closing 13 higher around the 114p mark. In the end at 233p.

S&S remained unchanged on The leaders in property had a

up 4 more at 360p. Holmes Pro-recommendation. tection jumped 5 to 116p as Chase Laing Properties Manhattan Securities issued a performer in the sector after buy-'huy" note on the stock. ing a major property portfolio Increased full-year profits and from Scottish Provident for £18m. "huy" note on the stock.

(1) Inchcape, MINES (2) Ang. Am. Coul, Maleysia Minig, THERD MARKET (2) Pennant Grp., Takare,

pects boosted A.Cohen 60 to 650p. S & W Berlsford gradually recovered from a lower opening level of 339p, influenced by bet-ter-than-expected interim profits, peak of 351p. Tate & Lyle gained 10 to 814p and Unigate 7 to 322p

BCI raced np 14 to 435p on while hid speculation raised Dalturnover of 1.3m shares as the gety 9 to 327p.

company confirmed recent mar
Boosey & Hawkes slipped back ket stories that it is raising its in a thin market to close 10 off at cement prices by £2.65 a tonne comment prices by £2.65 a tonne

over-speculation stocks Boots, Trust was mentioned as a possi-Harris Queensway and Store- ble predator. The shares put on 7 house. Otherwise the outlook for to 225p in turnover of 2.4m. Deal-the sector is said to be gloomy, ers said one US house had been backed up by yesterday's County huying the shares last week and NatWest WoodMac retail seminar there was activity yesterday in which warned of rising rents and the traded options market. Yale rates for high street stores. In an & Valor responded to Monday's attempt to introduce some optimism two of the leaders hosted bullish annual report helped sen-

5p. good day with MEPC up 6 to 548p British Telecom added 1% at after Far Eastern huying and a 254 %p on turnover of 3.6m that late-afternoon recovery in the included a single trade of 1.7m at dollar. Hammerson "A" were 7 254p. The Kleinwort Grieveson better at 644p and Land Securi-"huy" recommendation contin- ties 6 firmer at 577p, the latter on ued to boost Atlantic Computer, the back of a strong BZW huy

Laing Properties was the best

The acquisition, which included offices in the West End, Edghaston, Reading and Aberdeen and a string of warehouses in the Midlands and North, impressed the market and Laing hardened 18 to

Courtaulds regained ground to 333p, up 7, and Atkins Bros. shares retained their forward momentum to end 5 higher at 330p following news that Charterhall had increased its stake to 8 per cent. Readicut advanced 6 to 81p and higher interim profits saw Robert H.Lowe nudge higher to 195p but a disappointing preliminary statement brought Lister down 6 to 120p.

Overseas Traders were busier than of late as Harrisons & Crus-field rose 3 to 671p on rumours that it would be promoted to the PTSE 100 and Inchcape improved 7 to 210p after BZW upgraded their 1988 profit forecasts by £14m to £138m. Chase Manhattan were rumoured to be big buyers of the stock after a recent circuthat Inchape were due for a re-rating and predicted that the price would soon reach 240p.

At the end of an average day

on the Traded Options Market 20,769 calls and 10,336 puts were moved to total 31,105 contracts. Cable & Wireless saw good husiness with 3,260 calls, while British Gas were popular with 2,174 puts and 679 calls.

#### Traditional Options

 First dealings June 13 Last dealings June 24
 Last declarations Sept 15

• For Settlement Sept 24 For rate indications see end of London Share Service

Money was given for the call of Sonthwest Resources, BP new, Ovoca Gold, P & O. Wyndham, Stormguard, Norfolk Capital Kenmare, Bristol Channel Shi-prepairers, Astra Holdings, Yale Valor. Wilshaw Secs., Magnet, Edmonds, Gibbs & Dandy, Kwik-Pit and Control Secs. A call was arranged in Sandell Perkins while doubles were effected in A & M, Wilshaw Secs. and Norfolk Capital.

#### TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Aloha securities deaft through the SEAQ system yesterday until 5 pm.

2	Stock	000°s	Stock -	000%	- Stock	OQ.
•		2.900	General Accident	1.200	Prodential	5.1
•	Allied-Lyons	2.200	General Elect,	2.800	Recel	5,6
٠	Amstrad	395	Glaxo	188	Rank Org.	4
	Artyll Group	3,100	Globe lavesument	81,	RMC	_ 2
,	Assoc. Brit. Foods	393	Granada	2.100	RNM	3,5
•	BAA	1.400	Grand Met	1,200	Reckitt & Colman	4
i	BAT	1,900	GUS "A"	191	Redland	4
•	SET	2,300	Guardian R.E.	214	Reed lath.	4
•	BICC	275	GKN	1,600	Reuters "B"	8
)	BOC	1,800	Baymess	2,100	RTZ	1,6
•	BPB /pds	1,000	Hammerson	204	Rolls-Royce :	1,3
•	BTR	2,000	Harson	9,150 220	Rouptree	4 64
•		1,600	Hawker Siddeley, Hillsdown Holdings	490	Ryl Bank Scotland	4,5
r	Seechard	1.200	Librational University *	1.000	Royal Insurance	ő
ı	Blue Arrow	1.300	CI THE PLANE OF THE	1,500	STC	8
1	Blue Circle	1 300	inchcape	1.500	Saatchi & Saatchi	ĭ
	- Boots	2,400	Jaguar	944	Salesbury	4
	Brit, Airways	598	Ladbroke	3.000	Scott & Newcastle	1.60
	Brit, Aerospace	1.555	Land Securities	3,000 1,100	Sears	1.70
۱	Brit. & Comm.	664	Caporte	- 90	Shell Transport	92
4	British Gas	5,800	Legal & General	3,600	Smith & Nephew	7.30
	ВР	4,700	Lioyds Bank ,	2,600	Standard Chartered .	1,70
	Brit. Telecom	3,600	LASMO ,	3,000	Storehouse	1,70
7	Burnah Oil	1,300	LORING -bondadottorves	1,700	Sun Alliance	33
. }	Borton	2,600	LbCas	7,000	T & N	73
. 1	Cable & Wireless	3,500	MEPC	1,100	<u> </u>	2,70
	Cadbury Schweppes .	2,200	Marks & Spencer	3,100	Tarmac	1.60
	Coats Viyella	1,100	Maxwell Comm	405	Tesco	3.90
	Commercial Union	2,900	Metal Box	1,300	THERN EMI	51
٠	Cons. Gold	309	Midland Bank	469	Trafalgar House	1,00
1	Cooksen	771 915	Nat West Bank	827 369	Trusthouse Forte	2.20
	Courtaulds	675	Northern Foods	480	Ultramar	1,50
	Dee Corporation	1 300	Pearson	404	United Siscults	1,10
ı	Sixons	221	Pearl Group	530	Wellcome	53
1	English China Clays.	598	P&S	1.000	Whitbroad "A"	1.30
1	Enterprise OII	115	Pilkington	4.300	Williams Holdings.	2.40
1	FKI Babcock	2.600	Plessey	730	Wimpey	220
1	Fisons	1,800			Woolworth	1,00
ı		-,				_,00

#### RISES AND FALLS YESTERDAY

itish Funds	Rises	Falls	Same
	85	14	14
	18	13	22
	336	503	729
	108	206	334
	17	37	54
	0	1	12
	35	74	82
	31	151	69
Totals	630	999	1,316

#### LONDON RECENT ISSUES EQUITIES

	FIRE	•	date	High	1		Price	-	Dex,	CO'G	Yield	44
Т	150 6135 6280 6130	35555555555555555555555555555555555555	267 267	166 152 280 148	153 147	ASW Hidgs. 25p	165	_	W7.3 13.5	25	60	ᇤ
	6135	F.P.	2017	152	147	Acat So	168	1	1 716	176	3.7	1.74
	5280	[ F.P. ]	-	280	280	Agglesey Mining Units 90	280	1	, –,	7.3	32	۱۳:
	\$130	E.P.	-	148	130	Meal Sp Anglesty Mining Units Sp Monleby Westward Grp 20p	148		L4.29	27	3.9	ļu.
		F.P. 1	-	. 24	7	*Beckenhant Grp. Writes	23	l !		L-"	3.7	<b>!</b>
	220 4150 4150 4150 4150 4150 4150 4150 415	120	-1	24 80 166 116 106 178	61	Cachennam Sep. Wirtes.  Calroy 10e  Canny 10e  Camphie Sp  Curcopy Sp  Phomesic & Gen. Grp 10e  Homesic & Gen. Grp 10e	168 6 No. 135 8 15 14 5 1 5 15 15 15 15 15 15 15 15 15 15 15	+1	N12.5 R4.0 L3 S R2.19 R6.2 R5.5	1 7 5	4.7	).;
	\$150	( E.P. (	-	166	158	Coircy 10e	163	ナッナウ	784 0	140	**	10
	THE .		-1	116	108	Daephie Sp	109	+ī	115	50	17	170
	TO.	וייים	-1	106	_98	Eurocopy 50	98	5	P2 19	56	56	115
	MP .	1 2 2	ਪਾਂ	178	165	Domestic & Gen. Grp 100	176	1 -	RA 2	Tá	47	٦
	ETP2	1 (	47	236年以前を1年前を1	178	Everest Foods 10p	181		95.5	30	7	111
			-1	424	416	Gaedalf Tech. Inc. Guidness Mahon Fildgs. 10p. Stilpt Group 12/sp Hilardfog Group 10p Herring Son & Baw Hidgs Hil-res Sports	416			200	-	
		1 2 2 1	8/7	105	90	Guidness Mahon Aldos, 10o .	104	+3		1 = i		1 :
	100	1 24-1	847	177	100	#HPC Group 1212p	IIi	-	W3 3	أووا	4	17
	100	1		-73	.64	History Group 10p	66		W355-655 W35	งงกละการเลย เลย	4128686159	115
	140		7/1	160	150	Herring Son & Daw Hidgs	153	+1	123	33	25	îñ.
	100	F.F.	اند	103	156	HI-Tec Sports	158		136	āī l	36	ĩã:
	ر صو		1/7	125	179	Esopad briti. 10p	116	さんれんい	145	31	46	
	e100			179	105	Jackson Group 10p	115	.Ž	35	33	38	1
	722		劉	108	91	pleedler Group	93	+2	-D9 8	57	46	10
	410E		2171	172	172	Protecting 2Dp	185	·2	W4 25	35	371	157
	22.20		1/7	24/	190	Hechem Enrestl. Servs	237	+1	84.5	25	ゔも	27
	~	0000	-41	740	155	Asamserson Electronics Sp	133		13.9	28	30	12:
	ezion I	F.	3/6	140 122 240 119	140	NI-Tes Sports Repard Int   10p Jackson Geneg 10p Jackson Geneg 10p Jackson Geneg 10p Proverby 20p Proverby 20p Rechen Earnest   Serva.	120	-2				_
	376	F.P.		240	بين	20 PLOST SD **********************************	240	1	R7 6	31	301	77 (
	7100		٠١	113	111	Silzer (Arthur) 10p )	111	1	133	561	101	
	-	F.P.	-}	181	173	4Southerns Sp	181		143	43	471	16
	176	F.	1/7	.40	-80	Flace Clobal Erosp 1Gp	91	-2	1331	55	áŝl	650
	- 3856 N - 3858 - 855 - 8556 - 8556 -	[ 55. ]	41	181 96 134 146 186	128	Thorntons	132	_ 1	RZ 1	17	3î l	173
	KK !	F	-1	140	113	Waterman Parinership 10p	133	1	M 5	36	žė l	66
_	34-13		:	166	_156	Young Group 10p	133 133 133 133 133 133 133 133 133 133	.3	17.0 13.3 14.2 13.3 12.1 18.5 16.3	58	551	63
										-0	20	

#### **FIXED INTEREST STOCKS**

Price	Amount Paid	Latest Renunc	19	168		Clasing	
2	ap e	Date	High	Low	Stock .	Price	+ 0
100 100 100 100 100 100 100 100 100 100	F.P. P.P. P.P. P. P. P. P. P. P. P. P. P.	12/8 27/7 11/7			MA & M Group (No. Cr. Un. In. 1998)  AMEC L. Sp Chi Cr Pf  AMEC L. Sp Chi Cr Pf  Looper (F ) 6. Sp Cr. Ref Pr 1 Mp  Looper (F ) 6. Sp Cr. Ref Pr 1 Mp  Looper (F ) 7 Cr. Ref Pr  Fresh Southern Gr. 6. 755 Cm. Pr  Sources Grp Cleaner 7. Sp Cr. Pr  Marcha Marcha (Sh. Ref Pr  Thirtie Ang. 812pc Ed. 30.5.99  Dr. 972pc 26.6.89  Prowling 8. Sp Cr. Ref Pr 2002  Sastch & Sastch 6 Sps. Ref. Pr 2003  Settche Assets Ed. Un. Le. 2013  Westnoogin 8 Lipe Cr. Ref. Pf. 2003	200p	+
<b>"Righ</b>	ITS" (	OFFE	RS				<u> </u>
ime	Amount	Liter	11	203			·
Price	Pale	Record	<u> </u>	<del>~~</del>	Start	Closing	

-1		I ALBOHIL						
i	Price	Pale	Respec		269	Stack	Closing	
		耍	Date	High	Little	3003	Price	+0
	based on tax and yield be ratio based	est aresal std on pro on prospe	earnings ( specials or clas or op	M Dividend Other official ter official	27pm 2pm 2pm 15pm 11pm 13pm 21pm 13pm 21pm respects e dividend as lised on pre- and riets b lat estimates	Control Techniques 10p   Control Techniques 10	end cover a 1988 N Di end cover a	251, 07 100 2/0 1400d 1400d
						•		

### FT - ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

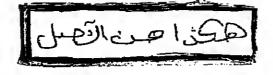
	EQUITY GROUPS		Tues	day Ju	ne 28 :	1988		Most Just 27	Fri Jun 24	The Just 23	Year ago (approx)
Fig	& SUB-SECTIONS ures in parentheses show number of stocks per section	index No.	Day's Change	Est. Earnings Yield% (Max.)	Gress Olv. Yleid% (Act at (25%)	PIE Ratio (Net)	xd adj. 1988 to date	Index Na.	Index No.	Index No.	index No.
I	CAPITAL GOODS (208)	788.35	+0.7	9.98	3.95	12.46	12.32	782.65	794.10	793.59	958.09
3	Building Materials (29)	1012.93	+1.5	10.87	, 4.18	11.33	13.99	978.39	1017.45	1025.30	
3	Contracting, Construction (35)		+8.3	10.32 9.05	3.36 4.77	12.68 13.67	25.92 45.53		1685.70 2103.15	1618.97 2108.39	
3	Electronics (31)		+0.1	9.79	3.27	13.24	18.75	2071.70 1791.40	1727.89	1703.88	
31	Mechanical Engineering (56)	404.41	+1.0	9.58	4.30	13.03	7.18	402.42	406.72	405.95	
å	Metals and Metal Forming (8)	476.07	+1.0	10.84	3.93	12.03	7.77	477.21	476.16		
۱ۆ	Motors (13)	280.05	+0.4	11.52	437	18.07	5.22	279.04	283.52	283.90	368.66
óΙ	Other Industrial Materials (24)	1302.96	+8.8	9.08	4.32	13.87	21.24	1292.87	1312.89	1317.15	
žΙ	CONSUMER GROUP (187)	1092.91	+0.7	8.86	3.54	14.24	15.42	1085.77	1103.27	1107.97	
2	Brewers and Oistillers (21)		+0.2	10.63	3.61	11.81	15.78	1117.70	1134.22	1137.61	
5	Food Manufacturing (23)	990.50	+1.0	8.27	3.48	25.47	14.70	980.99	994.31	1000.12	
16	Food Retailing (16)	2008.02	+0.9	S.58	3.28	15.50	21.46	1990.87	2829_32	2054.93	2477.7
!7	Health and Household (12)		+0.0	6.76	2.63	17.22	17.35	1849.63	1865.65	1875.98	
9	Leisure (30)	1338.60	+0.5	0.81	3.62	15.89	18.36	1331.89	1355.22	1349.99	
1	Packaging & Paper (17)	519.23	+0.5	9.11	3.87	14.16	9.15	516.66	521.13	519.19	
2	Publishing & Printing (17)	3440.31	+0.3	8.31	4.42	15.18	70.60	3430.68	3469.29	3475.64	
4	5tores (34)	806.96	+0.6	18.40	3.98	12.69	13.45	892.51	829.72	823.53	
5	Textiles (17)	607.17	+1.6	11.27	4.48	18.41	10.99	597.61	606.62	610.30	
Ю	OTHER GROUPS (92)		+0.3	18.69	4.29	11.45	10.59	906.51	916.98	917.20	
<u>!</u>	Agencies (19)		-0.4	7.05	2.30	17.90	11.31	1179.30	1190.15		
2	Chemicals (20)	1087.06	+0.5	11.12	4.52	18.99	22.14	1083.65	1097.42	1897.49	
13	Shipping and Transport (12)	1211.10	+0.2 +0.1	10.43 11.27	4.39	11.02 11.75	16.27 34.04	1209.05 1995.55	1219.46 1935.47	1226.17 1943.54	
i7	Telephone Networks (2)	1407.52	4.0+	11.18	4,47	11.60	0.00	989.38	999.85	991.49	
is l	Miscellaneous 126)		+0.2	11.21	4.38	10.12	20.25	1179.00	1186.21	1192.79	1525.37
١	IMOUSTRIAL GROUP (487)		+0.6	9.67	3.85	12.90	13.40	969.71	983.74	985.59	
i		1843.66	+1.0	10.86	5.75	11.84	39.00	1825.92			
9	S00 SHARE IMOEX (5001		+0.6	9.83	4.12	12.74	25.67			1059.94	
<del>"</del>	FINANCIAL GROUP (123)		+1.2	7.03	4.71	12.17	14.82		713.52	716.58	824.49
ž	Banks (8)		+13	29.87	5.97	6.42	18.63	703.92 672.85	684.19	682.93	
51	Insurance ILife) (8)	1064 74	+4.4	24.07	4.71	-	24.97	1028.28	1024.64		
31	Insurance (Composite) (7)	552.77	+0.7		5.35		13.82	549.18	559.01	565.37	617.31
۲ (	Insurance (Brokers) (7)	1516.50	-0.6	9.48	6.27	23.63	31.54	1822.51	1011.29	1014.93	
ė l	Merchant Banks (11)	359.84	-0.1		4.02		3.94	359.57	361.36	363.68	412.02
9	Property (52)	1233.60	+8.5	4.89	2.61	26.17	13.17	1227.83	1251.53	1255.50	
0	Other Financial (30)	384.29	+0.3	10.09	4.92	12.32	8.24	383.03	386.77	388.45	536,92
ī	Investment Trusts (78)		+0.2		2.99		11.48	995.71	911.49	913.90	1688.98
īΙ	Mining Finance (2)	531.65	+0.5	9.89	3.54	12.44	8.12	529.12	542.26	556.12	500.31
āΙ	Overseas Traders (8)	1161.47	+0.8	9.94	4.81	11.82	27.88	2152.65	1165.86	1162.99	1098.18
ना	ALL-SHARE INOEX (7111	961.00	+8.7		4.17		15.25	954.22	967.61	970.7S	
┪		ledex					مرد		Jun		
- 1		No.	Day's Change	Ozy's High	Day's Low	Jun 27	Jun 24	Jun 23	J(2)	Jun 21	Year ago

F	IXED	INTE	REST	•		AVERAGE GROSS REDEMPTION YIELDS JSn 28 27	Year ago (approx.)
PRICE INDICES	Toe Jun 28	Day's change	Mon Jun 27	xd adj. today	xd adj. 1988 to date	British Generaters   1   Line   5 years   9.39   9.38   2   Coupons   15 years   9.46   9.50	9.81
British Governation 1 5 years	121.08 136.81 146.57	+0.17 +0.33 +0.15 +0.17 +0.23	120.97 136.58 146.09 162.16 133.98 127,31 120.04 120.47	- - - -	5.87 7.09 6.88 7.30 6.68 1.12 1.72	3	9.02 9.11 9.24 9.25 9.26 9.40 9.18 8.89 2.59 3.50 2.26 3.74
9 Behentures & Late 10 Preference	s <u>118.22</u>	-0.01	118.23 93.57	-	5.98 3.31	15 Debs & 5 years 10.84 10.84 10.81 10.81 10.81 10.87 10.77 10.77 10.77 18 Preference 9.59 9.59	

#Opening Index 1832.2; 10 am 1833.9; 11 am 1837.4; Noon 1838.4; 1 pm 1839.7; 2 pm 1841.2; 3 pm 1848.7; 3.30 pm 1849.6; 4 pm

Allied Lyons (*421 )	390 420 460	37 13 3	53 28 13	62 42 24	3 9 40	16 45	15 25 48	
Brit. Airways (*147 )	130 140 160	20 10½ 2	18 9	20 11	13	6 18	1923	
Brit. & Comm. (*251.)	240 260 280	16 6 14	25 17 S	30 20 13	14 35	15 23 37	13 23 38	
8.P. (°256 )	240 260 280	18 5 1	23 15½ S½	20 15	5 S4 26	13 15½ 29	18 32	
Bars. (*788.)	750 800 850	47 15 4	70 40 20	50 30	28 70	13 35 73	45 62	
Cable & Wire (*366 )	330 360 390	39 15 5	48 33 19	57 40 30	1½ 8 32	18 38	13 30 48	_
Coms. Gold (*1065)	1000 1050 1100	90 58 28	130	155 95	1S 23 58	47 95	110	_
Courtaulds (*331 )	300 330 360	35 15 3	47 28 16	37	12 35	9 18 38	25 45	_
Com. Union (*381.)	360 390 420	30 12 4	38 20 13	48 32 20	17 43	15 32 50	20 36 52	=
British Gas (*183 )	175 180 200	15	17½ 10½ 3½	163 <sub>2</sub>	1 34 18	81 <sub>4</sub>	111 <sub>2</sub> 24½	_
6.E.C. (*156.)	140 160 180	18 4 1	19 B 3	24 12	1 S 26	14 30	15 17	_
6.K.N. (*316*)	280 300 330	40 23 6	46 31 16	53 40 25	1½ 4 19	13 28	17	_
Grand Met. (*508 )	460 500 550	53 20 3	82 93 14	73 48 26	1½ 9 45	9 20 48	15 24 32	-
(.C.I. (*1072)	1000 1050 1100	85 44 18	100	127	4 14 41	20	72	_
Japan (*281.)	260 280 300	25 9 3	30 19 15	43 31 20	29	9 18 29	15 22 35	_
Land Securities (*575 I	500 550 600	80 30 5	92 52 23	97 60 33	1 4 30	18 37	10 25 45	-
Marks & Spencer (*174 )	160 180 200	17 4 1	72 10 4	24 14 8	10 28	12 30	7 16 32	_
Britoil (*500 )	420 460 500	=	Ξ	=	235	2 6 15	Ξ	_
Rails-Royce (*128 )	120 130 140	10 3 14	13½ 8 4	15 10½	2 7 14	10 10 17	7½ 12	-
STC (*270 )	240 260 280	167	77 22	42 32 22	1 <sup>1</sup> 2 7 16	10 23	15 18 27	-
Sainsbury (*223 )	200 220 240	26 9 2	12 17 7	35 22 12	1 5 19	3 B 19	15 <sup>4</sup> 2 21	_
Sheli 7rans. (*1058)	1000 1050 1100	69 30 151 <sub>2</sub>	85	120	4½ 21 52	24 72	33	-
Storebouse (*255 )	240 260 280	18 6 24	28 20 12	37 27 20	7 20 37	16 28 40	20 33 47	Te
Trafalgar House (*307 )	280 300 330	33 17	42 27 11	47 32 17	11 <sub>2</sub> 6 25	5 10 28	12 20 37	
T.S.B. (*106.)	100 110 120	9 1½ ½	11 6 2	14 8½	11 <sub>2</sub> 9	S 10 17	15	_
Ultramar (*300 )	280 300 330	29 16 51 <sub>2</sub>	422 322 20	32 32 32 33	6 14 35	17 27 44	23 33 49	_
Woohwarth (*283 )	260 280	28 12	33,73	42 30 23	8 22	8 15	10 10	_
	300 i	4 1				27 (	28	_
Option Brit Aero (*402 )	360 390	49 25 10	60 36 21	60 50 34	Ang 2½ 10	11 22 38	Feb 15 28	=
BAA (*270 )	420 260 265	10 14		33	26 61 <sub>2</sub>	38 - 12	13	Coo
BAT inds (*419)	280 390 420	6 40 19	24 17 48	22 59 42	15"	19	22 16 30	Tr
Brit. Telecom	460 220	5 37	30 16	25 45	43	24 48	<u>袋</u> 7 12	_
Cadhory Schweppes (*406.)	240 260 360	17 51 <sub>2</sub> 57 34	ਲ ਲ	28 16	15 S1 <sup>5</sup>	19 <sup>1</sup> 2	27	F
(*406.)	360 390 420	34 19	75 58 42	53	14 30	32 48	55	

	550	[ 30 :	1 E2 .			70	1 3E				1				, ,	,	
	550 600	17	23	60 33 24 14	30 1	18 37	25 45	Hawker (°50	Sidd. G )	460 500 550	57 33 12	627		78 55 35	85. c	14 35 65	4
	200 200	1	10	8	10 28	12 30	16	Hillisch (*28	nwn	260 280 300	30 17 9	37 25 17		42	13	7 18 32	1
	420 450 500	Ξ	Ξ	Ξ	235	2 6 15	ΙĒ	Hans		130			22 3	205	27	4	3
	120 130	10	1312	15 10½	27	5/2 10	7½ 12	(°14		140 160 223	164 91 24	12 4 33	4	41 <sub>2</sub>	54 19	21	2
1	240 260	15 16 7	37	42	14 1 <sup>1</sup> 2 7	17 5 10	15 18	(*24	5)	240 260	27,	22	1 2	16	11 24	¥5c	1 3
4	280	7 26	REGRA	32 22	16_	23	27	Midian (°43		390 420 460	55 35 14	82		55	20 42	19 25 45	3
	220 240	2	12 17 7	3522	1 5 19	3 19	15 21 21	Sear (*11	5.	111S 120	154	23		75 25	42 4½	45 12 20	1
	1000 1050 1106	69 30 15%	85	120	4½ 21 52	24	33	Test		130	54 24 19	23		9	16	20	2
	240 250 280	18	28	63 27 27 20	7	72 16 26	20	(*15	5)	140	7 24	l 11	ز اپر	25 S	478	14 30	3
1		6 24 33	20 12	47	20 37 15	40	33 47	Trusthouse (*25)	Forte	220 240 260	41 22, 12,	46 33 18	1	2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	41 <sub>2</sub>	2 71 <sub>2</sub> 16	1 2
	280 300 330	33 17 4	77	22	25	10 28	26 37	Thorn 1		600 650 700	52	65 32	1	<u>.                                    </u>	13 35 77	22 47	- 5
	100 110 120	9 1½ ½	11 6 2	14 82	11 <sub>2</sub> 9 17	7 <u>5</u> 5	15	Uelle		420	67	75	- 2	3	$\overline{}$	82 8	_
1	280	29 16	42	32 32 33	14 14	17	23 33	(*47)		460 500	37 16	46 26	] 3	7	13 37	28 40	4
1	300 330 260 280	51 <sub>2</sub> 28 12	32 20		35 2 8	44 8 15	49	Wellor (°52)		460 500 550	85 56 29	99 72 45		- 8	S 17 40	14 25 30	3
ı	280 300	12	373	47 30 23	22	냸	19128	-	Option		560	Dec	T M	<del>-</del> 1	Sep	Dec	M:
								Bool	5	200 220	26 14	꿇	1	7	4	5	-
_		Aug	Nov	Feb	Ang	Nov	Feb	(*21)	" [	240	64	20	1 5	7 I	꿇	18 29	3
١	360 390 420	5X3	35	60 50 34	PE.	11 22 39	15 28 43	Conv. 93 9	Option	QŘ.	Aug	Mov	Fe	-	Aug	Nov	fe
t	260 266	14		33	649	12	3	(*100		98 100 102	2 g 1 g	1 1	£)	24 18	温	弦	_
1	280 390	6	24 17 48	22 69 42	15	19	22 16 30	Tr. 12%	1995	100 110 112	2	1	E .	镇	遉	装	
	420 460	40 19 5	48%	25	15 43	24 48	52										_
l	220 240 240	37 17 54	41 23	45 28 16	21 <sub>2</sub>	81 <sub>2</sub> 19	7 12 22	FT-SE	1650	Jun 205	Jul 210	Aug 217	Sep 223	Ju		Ang 7	Se
1	360 390 420	57 34 19	75 58	87 68 53	6 14	19 32	27	Index (*1849)	1700 1750 1800	쬁	盟	170 124 88	178 137 98	72.431.2	5 9 18	27	3358
1	300	35	42	52	30	48	55		1850 1900	Barra	18	55 55 32 18	67 45 25	2 54	35	27 48 75 112 157	5
١	330 360	14	3	35 23	3 10 33	18 38	23 43		1950 2000		a	15	17	10 15	5 105 155 69 Puts		li Li
	390 420 460	47 24 6	55 34 17	65 45 28	10 35	10 20 40	15 25 43	Jug	E 40 10	FT-SE	index ( index)	alk 10	595 Pr	rts 2	)90 )90	والمارية	



### WORLD STOCK MARKETS



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NEW YO	KK		DO	M 10	NES					Jone	June	June	-tune	15	68
	Jam.	Jan	Jen	Joh	. 2	95 <b>8</b>	State or	mpitation		28	27	24	23	High	Low
Indutrials	27 2106.44	24 21-72 %	23 2148.29	22	2152.2 C2263	1879.14 2070 86.12	2722.42 (25/8/87)	40.22 (2)7/32)	AUSTRALIA AU Ordinaries (1/1/80)	1544.6 780.8	1567.2 800.9	1574.4 812.0	1600.8	1615.2 (20)6) 842.1 (20)6)	11767 08/7 532.4 08/2
ramport	88.63 881.57	86.85 896.89	88.74 890.68	862.77	91.35 91.35 99.12	(40)	1300 36	12.22	AUSTRIA Credit Akties (30/12/80)	178.86	מ.ות	177.33	177.12	178.92 (21,0)	177.48 077
Rilldes	180.78	181.66	181.90	183.68	23/39 190.02 129/13	21/U 167.26 20/0	0489871 227.85 02211871	0)7(32) 10.50 0)4(32)	SELERON Srusses SE (1/1/60	4953.9	4985,7	5006.3	5012.5	5043.2 (9/3)	3606.358(7
Day's High 2147.76 TARDARD AND POO Composite!	2 <u>165.36</u> ''S	Low 218							DENMARK Coperages SE CALEER	219.98	221.02	220,44	220.54	221.02 (27/6)	180,68 (4/1
omposite†	310.44	273.78 315.22	274.82 317.58	275.66 318.54	275.66 22/61 318.54	207U 27736	258/67 343.17	1.40 1.6/32	FIREARD Unites Gentral (1979)	724.D	721.2	w	720.0	730.8 (17/6)	530,6 (25/1
irancials	24.40 152.22	24.87 154.56	24.85 155.03	24.80	22/6 24.38 22/6) 125.35	220/11 21.51 62/11	25/8/87) 22/3 25/8/87) 187.99	(21/6/32) 8.64 (1/10/74)	FRANCE CAC General (31/12/92)	(a) 132.7	7220 M	(4)	EE	353.6 (15/6) 133.0 (27/6)	251.3 529/1 89 7 529/1
JANUAR SERVICE COMP.	306.62 389.00	305.47 391.62	308.82	308.57 390.53	309.33 (1000) 371.42	22/10 262/10 02/10 331.47	25/8/87) 365.01 03/8/87) 455.28	(25)4/62) 20:31 (0(12)72) 54.87	GERMANY FAZ Aktien G1/12/589 Commerciant C1/12/589	467.68 1421.8	475.39 1438.1	473.23 1430.8	475 72 1438.4	475-95 (22)(5) 1457-5 (18/3)	396.40 (29) 1207.9 (29)
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ony Industrial Div.	Yield _		.49 n 22	\$.52 Jan 1		3.54 tm 0	2.8 year ago (	3	ITALY Barea Com. Ral, (1972)	506.86	511.30	511.06	508.50	S45.07 (18/29	423,91,692
& P indestrial div. & PP/E ratio	yleid	3	.03 .42	3.06 24.3		3.08 4.21	25.1 23.1	7	JAPAR <sup>40</sup> Nilisei (16/5/47) Tokou SE Ree (4/1/69)	27398.09 2158.48	2745.01 2755.70	27750.39 2172.88	Z1732.93 Z178.64	28342 46 (17/M 2219.98 (15/6)	21217.54 (4) 11490.64 (4)
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CANADA									SINGAPORE Straits Times Incl. (20/12/64)	1079.61	1077.95	1082.69	1083.44	1083.44 (23)(4)	#33,60(4/L)
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Monday on, Col Edwar	Stocks	Closia	g Charty			Sta	cls Closing led price	Change on day	SWITZERLAND Seris: Bank Ind. (31/12/98)	540.2	546.4	547.0	546.9	547.9 (24/6)	466.6 03/2
to Cel Edon		0 34	- =	Cos Bos	joti Graup Stock 'Un Ed ton Ed g Corp		6.500 44 0.700 275 1.600 155 2.500 114	* *	WORLD M.S. Capital Intl. (1/1/70)	<b>w</b>	445.0	452.8	654	46.2 (15)(4)	401.0 (21/1)

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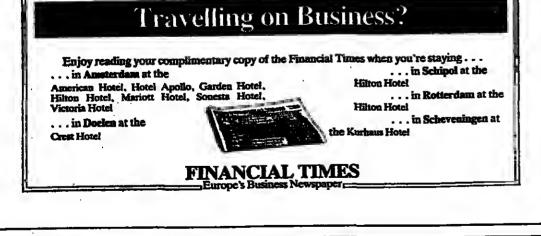
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هيئ احدن القصل

Financial Times Wednesday June 29 1988

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### Advancing Dow disregards further decline in dollar

#### **Wall Street**

EQUITIES and bonds reversed some of Monday's substantial losses yesterday as the dollar Japan is known to be concerned shrugged off a round of central about its economy overheating. bank intervention, writes Janet

As long as the dollar remains

higher at 2.130.87. Volume was be offset. Considerablo flows fairly moderate with 152m shares changing hands.

be offset. Considerablo flows wore attracted into both US bonds and equities in the last

Monday's headline volume figure of just over 264m shares was the fourth highest this year but the bulk of that activity was related to dividend capture stratical demand for US securiegies. A lack of genuine institu-tional participation in the mar-ket, coupled with the very large currency gains inherent in a risket, coupled with the very large currency gains inherent in a ris-flows associated with tochnical ing dollar - has meant that trading strategies, is making the market volatile but there is no

clear underlying trend. The US Treasury bond market was weak initially in the wake of co-ordinated central bank intervention against the dollar in Europe, which followed modest intervention by the Federal Reserve on Monday.

However, prices then bounced back and were quoted around % point higher in late trade. The Troasury's henchmark 30-year issue stood ! point higher th

yield 8.877 per cent. Traders in both markets attributed yesterday's price gains mostly to bargain hunting after sharp falls in recent trading sessions. The Dow Jones Industrial Average had fallen nearly 44 points in the last three sessions with honds rising sharply.

The dollar's resilience despite central bank sales of the US currency was a key positive factor. Some of the fundamental wor-ries which have undermined prices recently remain in place, however. One is international

interest rates. There is specula- kets for the foreseeable future. tion that Wost Germany may raise its discount rate this week, base lending rates were raised again in Britain yesterday, and

Bush in New York on a rising note, the negative
The Dow Jones Industrial effect on US securities markets of
Average closed 22.41 points higher interest rates overseas can

sharp price rises have not been

The markets will be watching today's meeting of the Fedoral Open Market Committee for any is believed to be a reluctance at the Fed to raise interest rates further, partly because of ther, partly because of worries about the health of the banking system. There is a delicate balance to be strnck between encouraging continued growth, particularly in election year, and ading off higher inflation.

Inflation indicators are the bond prices tracking fluctuations in the composite index rose 23.4 for a further six hours in the evening.

The composite index rose 23.4 evening. Share volumes are picking op declines by 405 to 146 on turnover but still be about 10 abou closely. Yestorday, the index dipped slightly at midsession after Monday's 5-point surge which gave modest encourage-

All these concerns about international exchange rate and interest rate policy and the domestic growth versus inflation dilemma will probably mean volatile and directionless US securities mar-

### Oldest bourse sets sights firmly on full automation

Exchange is the oldest bourse in the world that has traded continuously, starting around 1602 with a public offering of shares in the Dutch United East India Com-Among featured shares yester-day was Data General, which was pany.

subject to intense takeover specu-From early on, it was an interlation after an analyst at First nationally oriented bourse, and Boston said in a research note today more than half of its 429 that Data General could be an stocks are foreign. attractive hardware partner for Unisys, Its share price rose \$1% to \$24 while Unisys dipped \$1% to \$36. Unisys stock was also in

The market is currently the sixth biggest in Europe in terms of capitalisation, coming after \$36. Unisys stock was also in Milan and just ahead of Stock-focus because government inves-tigators are examining whether a Capel Five leading companies —



Amsterdam

Royal Dutch (Shell), Philips. Akzo, Unilever and Hoogovens - account for half of the market capitalisation of Fl 176bn (\$86bn).

ine trading day hegins officially at 10 am, running until 4.30 pm, and shares are freely tradeahle. Trading in Royal Dutch, Unishare prices extended their gains lever, Philips, Akzo and KLM in Toronto, with energy issues leading the advance

declines by 405 to 146 on turnover of 20.7m shares. but still lio about 19 per cent below last year's average. In the Optimism on Wall Street about first five months of this year. the US economy is belping daily turnover has averaged F1 brokers. The project is to be com-Toronto stocks, said Mr Jack Sta- 450m in stocks. Bond trading, pleted by September, with soft-cey, an analyst at Moss Lawson meanwhile, has seared by 80 per ware models and know-how proand Co. "There has been some cent over last year, with an averconcern about the inflation cycle age F1 933m worth of honds heating np, but now people are traded daily.
inclined to believe that the Fed's The main market indices are

not going to let that happen," Mr the ANP-CBS general market index, which covers 44 stocks but

#### AMSTERDAM

Market capitalisation: Fi 175.9bn (\$1=Fi 2.05; £1=Fi 3.49) Number of shares listed: 429 Top 5 stocks, percentage of market 49.9%
Trading hours: official - 10am-4.30pm; after hours Average daily turnover, 1988: FI 450m Main indices: ANP-CBS general index, CBS trend index Current level of Index (CBS): 91.6; 1988 high: 92.4 (24/6);

1988 low: 67.3 [4/1) Settlement within 10 business days after transaction

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Royal Dutch, and the CBS trend index, which is more proportionately spread over 34 stocks and is calculated and readjusted more

Since the start of this year shares have risen by 24 per cent and the ANP-CBS general stock index now stands at 259.6, about even with levels immodiately after last October'a crash.

Over the past three years the stock exchange has witnessed a "rolling big bang" in which a block-trading market has become operational, commissions have been slashed and trading hours have been lengthened.

Unlike London, however Amsterdam remains a central marketplace where prices are set on the floor. Nevertheless a number of market participants and observers believe off-floor pricing is inevitable.

Computerisation is under way with the aim of achieving fully automated floor trading, backroom processing and information flows between hoekmen, or floor market-makers, and banks and vided by the Midwest Stock Exchange of Chicago.

Banks still control much of the market although stock hrokers are gaining market share. On the settlement side there

are great variations, but settlement must occur within 10 business days. About 80 per cent of securities are delivered by a computerisod hook entry system operated jointly by the stock exchange, central bank and

Investors face no restrictions on the foreign nwnership of stocks or bends and, on the tax side, pay a 25 per cent withhold-ing tax on stock dividends, but nothing on band integer. nothing on bond interest.

At no time are investors required to disclose the number of shares they have acquired on the bourse, even in order to make a public bid for the rest of tho

Listed shares may carry full or limited voting rights, depending on each company's statutes, and a plethora of other anti-takeover devices can severely limit shareolders' rights.

operates a market for smaller companies seeking an initial list-ing. Requirements for listing are cent of volume. more lenient. Daily turnover

 A profile of the Swiss markets appeared in yesterday's paper. Paris will be featured tomorrow.

### Turnover soars as investors focus on quick profits

THE UNCERTAIN market out-THE UNCERTAIN market outlook prompted speculative trading for quick profit in Tokyo yesterday. Share prices fell in hectic trading, while volume was the fourth largest ever, writes Shigeo Nishiwaki of Jiji Press.

The Nikkei average dropped for the third consecutive session, losing 36.92 to 27,398.09 after moving between a high for the day of

losing 36.92 to 27.398.09 after moving between a high for the day of 27,143.70 and a low of 27,177.54.

Turnover swelled dramatically from the previous day's 941m to 2.5bn with trading focusing on giant-capital steels, shipbuildings and heavy electricals.

and beavy electricals. Declines led advances by 625 to 299, with 133 issues unchanged.
The US dollar fell back below Y131 on the Tokyo foreign exchange market. Investors were disheartened, howover, by a plunge in bonds and equities on Wall Street overnight and persis-

tent concern over higher interest rates in Japan and abroad. Yesterday was the first day of trading for July settlement, and securities companies, business corporations and individual Next to the official market, the investors sought large-capital Amsterdam Stock Exchange also stocks. Such issues dominated stocks. Such issues dominated the list of 10 most active issues,

together accounting for 63.9 per One official at a big brokerage averaged Fl 5.75m in May. No house said market participants bonds are listed. they have little choice but to seek large stocks for quick capital gains in view of the uncertain market outlook.

headed the active list, with 301.4m shares traded, climbing Y40 to Y615. Kobe Steel, second busiest with 247.5m shares, rose

drew interest, with Toshiba gain-ing Y45 to Y930 and Mitsubish! Electric Y52 to Y845.

In contrast, high-technology and domestic domand-linked stocks were sold. Matsushita Electric Industrial closed down Y20 at Y2,470 and Toyota Motor Y30 at Y2.240. Some high-techa later recouped losses nn late small-lot buying, with NEC ending nuchanged at Y2.050 and Sony at Y5.070.

Bonds rebounded strongly, despite the Bank of Japan's toler-ance of a rise of 0.0625 percentage points in the three-month com-mercial bank discount rate. Osaka Securities Exchange equity prices kept falling, with the OSE stock average slipping by 156.59 to 27,125.99

#### Australia

A LAST minute buying spree by local investors took prices off their lows but failed to offset fully the effects of falls in prices for oil and precious metals. The All Ordinaries index lost 22.6 to

The sharp overnight decline on Wall Street and the slide in Tokyo also hit sentiment.

#### **Hong Kong**

THE FALLS in New York and Tokyo and feers of higher local interest rates sent shares lower in slightly thinner trading.

The Hang Seng index shed 28.2 to 2,661,46 after weakening during the morning session, picking up slightly at midday and drift-Laura Raun

The start of trading was weak, but later most early losses were recouped an strong buying of steels and other glants.

The hig five steelmakers rose across the board. Nippon Steel

Singapore

INVESTORS who moved in to pick up bargains in afternoon trading helped shares to end Y30 to Y569; Kawasaki Steel, mixed after a weaker start. The third with 2425m shares, Y33 to Straits Times industrial index Y673; NKK, fourth with 234.7m edged up 1.66 to 1,079.61 in turnshares, Y20 to Y584; and Sumiover of 47m shares, up from 44m. tomo Metal Industries, seventh with 131m shares, Y29 to Y560.

Stimulated by the performance Movements were small, and most activity was again seen in Malaysian speculative stocks and of steels, big-capital electricals second liners.

### US losses add to interest rate blues

ANXIETY over the upward trend of interest rates and the setback on Wall Street dampened share prices and volume in most Euroean bourses yesterday, although foreign investors showed some intorest in Swiss and Belgian stocks, writes Our Markets Staff. FRANKFURT continued its downward drift in slow trading, with many investors sidelined in the run-up to tomorrow's Bundes-

Thero is much debate about whether the central bank will raise the 2.5 per cent discount rate then nr wait until it bas raised the securities repurchase rate further, possibly early next week. But the consensus is that intorost rates are beading upward, and this, together with Wall Street's losses on Monday and yesterday's concerted intervention to curb the dollar, loft

most investors unwilling to test the water in the equity market. The FAZ index finished 5.71 lower at 469.68 although shares picked up in the after market whon Wall Street opened firmer. Volume was about DM2hn. Electronics stock Nixdorf fell

DM12.40 to DM454.60 following a negative article in a West German management magazino.

Cars showed larger losses than most, with Dalmlor down DM1050 at DM633 and Porsche DM17 lower at DM502, while VW, which announced 770 joh losses over the next three years, was off just DM1 to DM260.50.

central hank intorvontion. The 612 per cent 1998 federal bond rose 60 pfg to yield 6.66 per cent after 6.73 per cent on Monday.

London

THE half-point rise in UK base rates was welcomed by the market yesterday, amid hopes that it will keep inflation in check and sterling steady. An initial 13-point fall in the FT-SE 100 index vanished, and

1.856.9. The stronger opening

taking amid concern over inter-

Turnover, estimated at about FFr800m, was affected in part by tochnical difficulties. No prices woro available for the 13 blue

rounded the unquoted blue chips, with Suez forecasting a 30 per cent increase in parent company not profits this year and CGE issuing a convertible bond issue worth about FFr1.75bn. Some

just DM1 to DM260.50. according to one saleswoman.

Bonds were boosted sharply by the dollar's fall after the round of FFr8.50 to FFr470 after Monday's

on Wall Street also encouraged

of 20.7m shares.

the day just slightly lower.

PARIS fell further on profitaking amid concern over interest rates and the drop on Wall
Street, with volume again low.

The rise in UK interest rates,

MILAN eased in line with other

MILAN eased in line with other eased in line with other eased in l est rates and the drop on Wall Street, with volume again low. The rise in UK interest rates,

and fears of the same in West
Gormany, fuollod concern that
the hrakes would be put on rate
cuts in France. The EFX 50 index
closed 3.55 lower at 349.77.

Hannay easet in the wath other from the banch of the same awaited developments from with Banch Central, was
Generali's annual sharebolders' suspended for not officially noticities in France. The EFX 50 index
closed 3.55 lower at 349.77.

AGM scheduled for today. The chips underlying the Monep options market and so there was

Most of the corporate news sur-London dealers made prices in the stocks, which closed mixed,

huying. International stocks reacted favourably to the interest rate increase, and Glazo, ICI, Bee-cham and Reckitt & Coleman all rose. Hanson attracted US

on takeover speculation. Shear-

company said it had received and rejected a takeover offer of \$11.50

ing by domestic mutual funds, foll slightly in quiot trading, eager to keep prices firm before although prices recovered from their books close for the half-year at the end of this month.

Generali fell 11 550 to 1000 and 1000 a

no domostic trading in such stocks as Accor, CGE, Elf Aqui-taine, Suez and St-Gobain. million) capital increase as expec-planning a joint venture with a ted, and Generali disclosed it had division of General Motors of the spent L599bn on its direct 8.5 per US, slipped SKr1 to SKr331.
cont stake in Midi of France.

There was little news, however, about the dollar and the over-

news of an expected sharp fall in Interim profits, and Béghin-Say, one of the day's most active stocks, fell FFr5 to FFr475, hav-

bearers were unchanged at SFr3,075, while Credit Suisse eased SFr45 to SFr2.520.

AMSTERDAM reacted to Wall Street's higher opening and a local rebound in the dollar with a small rise towards the end of trading. Elsevier, the publisher, gained F1 1.70 to F1 50.20 on renewed takeover rumours.

MADRID closed lower on prof-it-taking, with the general index down 1.3 at 296.58 in quiet trade Telefonica, one of the more liq-uid stocks accounting for about

at the end of this month.

Generali fell L1,650 to L86,000 and continued down to L85,700 after hours. The moeting approved the L1.1 trillion (million its aircraft engine division was

on future strategy over Mid.
Fiat eased L62 to L9,289, but
Snia, its chemicals and defence
bolding, rose L74 to L2,255.

ZURICH was depressed by the
overnight falls in New York and
the deliving deliver.

Appendix and the overnight drop on Wall Street, as Belgian prices ended mostly lower,
hut foreign interest pushed up
turnover in some stocks.

Cockerill Sambré, the steelmaker, gained BF77 to BF7233 on

volume of 35,000 shares after its However, demand from foreign chairman confirmed the company buyers was good and shares rose would make a profit this year for

#### SOUTH AFRICA

GOLD issues in Johannesburg Driefontein, adding R1.85 to benefited from the rising bullion R33.60. price following a decline in the Mini dollar yesterday. They were also boosted by a further slip in the financial rand, which prompted foreign investors to buy quality

Mining stocks, particularly platinum, also drew strong overseas demand. Rustenburg moved

up 75 cents to R37.50. industrial shares remained steady following continued reports of good fiscal results. Bar-Demand from London was high reports of good fiscal results. Barfor Vaal Reefs, up R11 at R261, low Rand was unchanged at Kloof, rising R1.65 to R30.15, and R21.50.

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On and after

28th June, 1988

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#### FT - ACTUARIES WORLD INDICES

Jaintly campiled by the Financial Times, Galdman, Sachs & Co., and Wand Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS		TUES	DAY JUNE 2	2 1988		WCH	DAY JUNE 2	7 1985	8	FLLAR IND	EX
Figures In parentheses . show number of stocks per grouping	US Dollar Index	Oay's Change	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx
Australia (88). Austria (16) Austria (16) Austria (16) Austria (125) Denmark (39) Finland (25) Finland (25) West Germany (99) Hong Kong (46) Fetland (18) Laly (102) Japan (456) Mexico (14) Mexico (14) Mexico (14) Mexico (14) Mexico (15) Singapore (26) South Africa (60) Spain (42) Sweden (35) Switzerland (55) Jinted Kingdom (327)	128.20 132.73 95.39 74.55 107.00 135.83 71.42 162.52 169.04 103.87 79.68 122.51 123.42		121.12 73.40 103.06 110.34 110.57 114.47 82.27 64.29 92.29 117.15 61.59 140.17 131.28 145.79 89.58 68.72 105.66 106.44 104.67 133.65 101.03 68.40 114.49 95.80	115.82 79.68 112.13 111.86 119.57 119.19 91.16 70.11 107.14 128.80 71.52 134.47 152.31 96.61 61.57 107.86 173.55 114.08	3.86 4.49 3.43 1.76 3.565 4.27 3.69 2.39 1.4.79 5.80 2.717 5.019 5.87 2.32 4.32 4.32 4.32 4.32 4.32 4.32 4.32	144.34 83.72 119.59 126.99 127.96 132.57 95.45 74.94 108.43 135.50 71.61 162.13 151.05 170.38 103.56 80.32 122.18 122.71 121.12 154.17 117.71 79.67 130.50 109.86	125.65 72.89 104.04 110.55 111.40 115.41 85.24 94.40 117.96 62.34 141.14 131.59 106.37 106.33 105.44 131.54 102.47 69.36 102.47 69.36 102.47	117.70 79.09 112.83 111.03 120.13 119.94 91.90 70.85 108.57 129.14 72.14 134.10 151.22 425.67 96.87 61.88 109.50 115.50 85.50 85.50 109.17 74.36 109.17	150.35 98.18 139.89 128.91 132.72 139.53 99.62 80.79 109.20 141.54 81.74 177.27 110.66 84.05 132.23 123.42 139.07 164.47 125.50 86.75 141.18	91.16 83.72 99.14 107.06 111.42 106.78 72.77 67.78 84.90 104.60 62.99 133.61 107.83 90.07 95.23 64.42 98.55 97.99 118.16 130.73 96.92 123.09	133.88 86.90 120.86 126.30 116.73 106.81 96.40 125.83 132.13 170.72 246.53 127.44 97.73 140.75 145.59 158.79 113.21 99.11
USA (576)  Furope (1010)  Pacific Basin (673)  Furop-Bacific (1683)  Furth America (701)  Furope Ex. UK (683)  Pacific Ex. Japan (217)  World Ex. UK (1882)  World Ex. UK (2131)  World Ex. So. Af. (2398)  World Ex. Japan (2002)	106.10 159.44 138.13 111.96 89.54 122.34 126.80 127.35 110.46	+0.7 +0.1 +0.3 +1.1 -0.1 -1.9 +0.3 +0.6 +0.8	91.51 137.51 119 13 96.58 77.23 105.51 112.71 109.36 109.84 95.27	96.14 132.50 117.98 111.15 84.68 107.84 117.60 215.39 115.49 105.67	3.73 0.74 1.66 3.50 3.20 3.97 1.74 2.12 2.31 3.61	105.34 159.26 137.71 110.78 89.67 124.73 137.21 126.23 126.62 109.57	91.70 136.65 119.89 96.44 78.07 108.59 119.45 109.89 110.23 95.38	96.17 132.26 117.84 109.95 85.32 109.26 117.42 114.89 114.96	112.27 110.82 172.26 147.53 113.08 92.99 128.15 146.49 131.77 132.39 112.43	99.19 97.01 130.81 120.36 99.78 80.27 87.51 120.26 111.77 113.26 100.00	124.36 122.07 139.10 132.33 124.56 104.72 128.85 132.54 127.30 129.13 124.29

Base values Dec 31, 1986 - 100; Finland: Dec 31, 1987 - 115 037 (US 5 index), 90 791 (Pound Sterling) and 94.94 (Local)

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Financial Times Wednesday June 29 1988

#### SECTION III

# FINANCIAL TIMES



Employment is set to shift from a

people-buyer's to a job-seller's market, argues Michael Dixon.

in many parts of the world, a shortage of young candidates, coupled with easier job-hopping between countries, will force

employers to change their ways.

### **High-fliers** on the move

TIMES ARE coming when lead-ing spirits even of "loadsamoney" the move will be relieved if a economies could well be con-gealed by the want of a resource that money alone cannot buy. The resource is human skills and motivation which, unlike human muscle, have never been easy for employers to obtain in sufficient

Within the next few years, however, they look bound to become scarce in many, if not most, countries of the western

world. The reasons are twofold. One part is the disappearance of youth in numerous lands in train of the plunge in birth rates that began in the 1960s. Over-sup-plies of young people seeking their first job, which formerly glutted national employment markets and flummoxed govern-ments, can be expected to turn into a steepening shortage.

The second part is the move to set np one European Community market of some 320m consumer which is scheduled to open in 1992. What will actually happen then is unlikely to be spectacular and may even be scarcely noticeable. Of the 285 EC agreements required to complete the prelimi-

Ball

... -- - A.

LATS

Rate

total of 200 are in the bag by the notional deadline.

Nevertheless, it seems fairly sure that the national frontiers which have for so long limited the horizons of people's careers will be more and more worn away. The outlook for employers is increasingly wider competition for able staff of all ages even though its sharpest edge may be in the market for youth.

It is true there will probably be compensating influences, One example, of greater potential relief to private sectors than to public services, is the currently widespread ambition among young people to work as busines managers. In the UK, for instance, the strength of that ambition is shown by the number of teenagers now eager to take degree courses in management at a university or polytechnic.

Demand for such courses, in terms of applications to take them, is far higher than for any other subject. The 1987 figures for the top 10 subjects, adjusted somewhat arbitrarily to allow for naries, only about 70 have been differences in universities' and ratified to date. The Community polys' rules for application, are:



# AND PERSONNEL SERVICES

21,350
15,600
7,950
7,450
7,300
7,250
6,550
6,550
6.200
6,050

Only a minority of candidates ment has long been regarded as a are admitted, of course, and the self-standing job, it is growing in Only a minority of candidates

towards reducing their full-time staff to the minimum "core" directly required to provide and The status of the manager is high and rising in countries such as Switzerland, Sweden and West sell the products, and to manage those central operations effec-tively. Even so, it would be haz-Germany whare management ardous for employers to expect such cushioning factors to secure was customarily viewed as a sub-sidiary task, albeit an important one, done by people who were primarily engineers, financiers and suchlike. Even in the US where, as in Britain, managetheir future needs of human

be relied on to last, Commenta-

given way in many higher educa-tional institutions to a curious mixture of fierce feminism and in its shortest supply five to seven years hence, materialism is likely to be replaced by goodness

The youthful vogue for managerial careers, especially, cannot full-time workforces be counted on to ease recruitment problems

#### CONTENTS

Leading employment agencies are consequently expecting the grade staff on short-term consecretarial and clerical workers on their books to be joined by crucial not only for pulling the graded specialists. Some agencies are planning to heighten their their charms to such people by offer their personnel career-development mer senior bank executive turner author who writes in this survey.

short-term assignments.

Such moves might quicken the increase in temporary executive-type staff, so far due largely to payroll-cuts by employers, as people opt for a varied working life with attractions further enhanced by easier job-hopping the increasing importance of between countries. Companies in the workforce-type could find it barder to main.

minorities as well as women. What is more, it will no longer be dangerous, as it has increasingly been over the past few years, to reach the age of 40. Experience,

processes entailed in finding, recruiting, developing and keeping requisite buman skills. Help-

religious enthusiasm of revivalist demand to sharpen employers is already going on. kind. Rising generations switch awareness of their future requirefashions fast, and before youth is ments of skills, and where in the no certainty of it – that the proexpanding landscape they may best be obtained.

ities, to people brought in on a persuade promising people to join temporary basis or to external and stay and work well.

Specialist consultancies.

Given the likely greater reliance on the hiring of executive-

programmes hullt of a series of author who writes in this survey, short-term assignments, worked as a temporary clerk in

between countries. Companies in expertise in all the workforceturn could find it harder to maintain even an essential core of regular employees.

Perhaps the happiest effect of the coming changes will be to increase opportunities for ethnic full-time staffs, not least in the personnel field.

Meanwhile, however, an expanding supply of the expertise is available from consultancies and agencies big and small. And even though it may be slower in even though it may be slower in annough a sector of the numerical of top management's infallibility. Will come back into its own.

All of the foreseeable changes gledy-piggledy, a marked change of character may well be in the offing there too.

in the agency part of the sector especially, the erstwhile secre-taries and clerical workers who built up a business by their flair be significant since organisations with a more deliberate their discards unfairly will have a weakness in competing for new hands.

Person-powers who omit up a business by their flair for wheeling and dealing, have been handing over to chief executives with a more deliberate approach. Hence the so-called professional seconds. and planning services can be expected to be in growing demand to sharpen application and tidying up on an international scale of the kind which in some of its sub-cartors

fessionalisation of the manag best be obtained.

Effectiveness in making contact with good potential recruits, whether by advertising or executive search methods, will be of hard to find a task more important. whether by advertising or execu-tive search methods, will be of the essence too. There will also tant to a society, let alone an are admitted, of course, and the admission rate for applications in management was low: 21 per cent compared with 41 in English. But the fashionability of managerial competition for able recruits is work among the young is clear.

be relied on to last, Commentative much. One of its concomitants is better materialist tors who contrast the materialist or much. One of its concomitants is better much. One of its concomitants is better and the materialist or much. One of its concomitants is better and the materialist or much. One of its concomitants is better and the materialist or much. One of its concomitants is better and the materialist or much. One of its concomitants is one call the materialist or much. One of its concomitants is one call the materialist or much. One of its concomitants is one call the materialist or much. One of its concomitants is one call the materialist or much. One of its concomitants is one call the materialist or much. One of its concomitants is one call the materialist or much. One of its concomitants is one call the materialist or much. One of its concomitants is one call the materialist or much. One of its concomitants is one call the materialist or much. One of its concomitants is one call the materialist or much. One of its concomitants is one call the materialist or much. One of its concomitants is one call the materialist or much. One of its concomitants is one call the materialist or much. One of its concomitants is one call the companies are handing over racy in selecting the candidates of those 20 years of the lasts of those 20 years of companies are handing over racy in selecting the candidates or call the companies are handing over racy in selecting the candidates or much. One of its concomitants is the result of the materialist or much. One of its concomitants is the result or much. One of its concomitants is the case recruitment problems.

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## What's topical may not be typical

FEW SOUNDS are sweeter to on the opposite page - we can ambitious ears than the courting arrive at some sort of guessticall of an executive search con- mate for the British market. sultant. The mere idea of being personally sought out to consider into two sorts. One is the new jobs has far more charm so-called retainer variety, in than the chore of pursuing them which the headhunters are sure hy hawking one's services in of a good part of their fee even if

Besides being more appealing is given the job. In the other sort, to managers and key specialist entitled contingency, the head-workers, the idea of headhunting hunters receive no fee unless one has an air of mystery, if not skulduggery, that intrigues tha media. So a top opening to be the US, the top four search confilled by search methods is apt to sultancies take some 20 per cent grab more column inches and of total revenues for the retainer being openly advertised.

yet another example of what is topical not being typical. For when it comes to appointing peowhen it comes to appointing peo-ple to executive positions, search

Dr Jones, for her part, esti-remains in minor use, at least in mates the combined 1967-88 fee relatively compact countries such income of the top four search

different methods are used to fill about the US market were true jobs is a chancy husiness. In the also of the UK - which is of case of most managerial rank course far from sure - the total appointments, the gathering of reliable information on them is ruled out hy the very nature of To translate that sum into the way they are made. That numbers of job-openings handled applies not only to headhunting, requires two more observations which is deliberately done under cover, but to internal promotions which almost certainly account their fee at about 30 per cent of

takes of the relative minority fil- career. An example might be the led by external recruiting of better rewarded class of director of figures cited by close observers of UK executives' pay made by respectively of US and UK head the Remuneration Economics hunters' activities - Mr James consultancy for the British Insti-Kennedy and Dr Stephanie Jones, tute of Management, whose articles appear below and The survey found the salary of

Search itself can be divided they fail to produce a person who

of their candidates fills the bill. Mr Rennedy calculates that in proadcast seconds than any post activity which amount to about \$1hn, with contingency work Even so, it would seem to be producing roughly as much et another example of what is again. Hence the top four account for about 10 per cent of all headhunters' billing

Britain. operations in Britain at £21.3m.
Estimating the extent to which So if Mr Kennedy's observation fees for British search activities would have been £213m.

to be called into play. The first is that headhunters usually set for most — although no one the salary of the person who is knows how many - of the higher eventually appointed. The second grade posts changing hands.

The information famine, of higher-paid posts such as directourse, also bedevils attempts to torships requiring people with determine what share search above-average success in their takes of the relative minority fill. hatever kind. But with the aid as described by the latest study

estimate of the overall number of computing work, the trends dis-job-openings they handled. 15,106. cussed in the introductory article. In later years, however, there The probability is that it is an suggest it is likely to increase. has emerged a new breed of more

nately less dependent on the making of airy assumptions. The reason is that every three months since the start of 1959 the MSL recruitment consultancy has made a count of the number of managerial and key specialist posts advertised in leading UK prominent one – that the advantage of headhunting over advan

misses executive posts advertised solely in local papers and, more importantly, tha specialised press. For example, one field in which UK specialised journals have a strong hold on job advertisements is personnel manage-

the personnel function cannot be far behind areas such as production in generating a need for recruits, personnel posts offered national journals throngh account for only 3 per cent of MSL's latest 12-month tally,

fee for finding one would be specialists for short-term assign- decision on the most senior £14,100. Dividing that into the ments. While the temporary hir appointments, when one goes £213m figure for total 1987-88 reving of higher-grade staff is at wrong they tend to hlame whoenues for UK provides a hazy present relatively rare except in ever put forward the initial can-

now has

accompanying panel shows, the tising grows with increasing rank control of personnel professionals count for the 12 months to March of job to be filled - probably no less well versed in the craft. 31 this year was 37,342 jobs - well arises from search's origins about over twice as many as the gues- 40 years ago in America, whence stimate suggests that headhunt- it spread into Europe a decade or

Once again, the comparison Since a prime concern of probably exaggerates search's organisational chieftains is that share because the MSL count anyone working close to them is misses executive posts advertised somehody they can personally solely in local papers and more trust, they may often be nervous of having their right-hand people found for them through the nuts-and-bolts personnel department The hirth of beadhunting offered them a suitably confidential alternative channel and, perhaps as a result, the early searchers tended to be directly hired by and responsible to companies' topmost people for finding candi-dates for high-level posts.

> ers of the time rather welcomed the intrusion. The reason

anch directors to be typically Another field missed by tha lies in another trait of organisa-about £47,000, in which case a tally, and from which search is tional chieftains. Even though search consultant's 20 per cent excluded is recruitment of key themselves make the final

overestimate, not least because a And even if the employers congood deal of the headhunting cerned obtain their new profesdone is for jobs in the City of sional temps largely through London finance sector where agencies, the agencies themselves launching pad to better-paid to sector where the specialist department merely as a launching pad to better-paid to sector where the sector where agencies, the agencies themselves launching pad to better-paid to sector where the sector where agencies, the agencies themselves launching pad to better-paid to sector where agencies themselves launching pad to better-paid to sector where the sector where agencies themselves agencies, the agencies themselves launching pad to better-paid to sector where the sector where agencies, the agencies themselves launching pad to better-paid to sector where the sector where agencies, the agencies themselves launching pad to better-paid to sector where the sector where agencies themselves launching pad to better agencies. for a senior-level post.

The parallel task of divining that search will lose some of the importance of amassing that search will lose some of the personal power as fuel for the number of higher-rank jobs minority share of the market it journey. As the new hreed have arisen, they have increasingly pulled down the prerogative of hiring and supervising searchers Into their own hands. So instead of holmobbing with top execu-tives - who are apt to have no closer understanding of recruiting than tribal chiefs have of witchdoctery - heschunters are more and more subject to the

> It is to be hoped that one result of search's descent to the same level as other ways of recruiting executives is greater rationality in deciding which method is best suited to filling what job.

For on a rational analysis, none of the recruitment methods would seem of its nature better than the others in its ability to bring in high quality people in general. The truth is that each has its peculiar strengths and ses which make it most suited for use in particular cir-cumstances, to which the rank of a job may well have little if any relevance. And the sooner that truth is grasped hy every It may be that the specialist employer, the better.

Michael Dixon

### Good omens for UK job-seekers

ADVERTISED Type	DEMAN Posts	ID FOR 1987-88 Changa	196	IVES IN 6-87 Change	798 Posts	N IN THE 5-86 Change	196	4-85 Change from	196	Change 2
of .	adver-		adver-	from	adver-	from 84-85	tised	83-84	tised	82-83
work	tised	86-87	tised	85-86 %	tised	%	4000	%		%
- 4 -	3,510	% + 3.9	3,378	- 42.0	S.823	- 22.6	7,527	+ 5.4		+26.6
RAD	6,373	+ 4.1	6,124	- 5.0	6,447	- 0.6	6,502	~ 3.2	8.718	+14.2
Marketing	8,242	+29.8	4.807	-23.8	6.311	- 12.1	7,178	+ 15.5		+36.3
Production Accounting	7,795	+ 15.8	6.732	+ 5.2	6,401	+ 2.2	6,261	+ 11.6	5,611	+20.4
Computing	3,710	+ 0.7	3,686	- 7.8	3,998	- 6.7	4,287	+34.1	3,196	+34.6
Ganeral mgt.	1,659	÷ 19.8	1.385	+ 8.0	1,307	+ 4.0	1,257	- 5.1	1 325	+ 3.4
Personnal	1,117	+11.1	1,005	+ 15.5	870	- 18.8	1,085	+ 13.4		+40.5
Others	6,936	+20.9	5,735	- 6.9	6,162	0.8	6,214	+ 39.3		+ 53.8
Totat	37,342	+13.7	32,852	- 12.0	37,319	- 7.4	40,311	+ 13.2	35,623	+27.3
April-June	8.597	+ 5.2	8,172	-21.5	10,412	+ 0.8	10,034	+20.3		+49.2
July-Sept	8.274	+ 8.0	7.664	- 19.4	9,507	- 2.8	9,760	+ 20.7	8.006	+18.5
OctDec.	9,248	+17.8	7,850	- 8.7	8,596	- 3.3	8,893	+ 3.9	8,580	+323
Jan-March	11,223	+22.4	9,166	+ 4.1	8,804	-24.3	11,624	+ 9.3	10,637	+ 16.6

seekers at least, lies in the above, which is compiled periods ending on March 81 of each year. The upper and larger part shows the 12-monthly tallies for nine broad categories of staff, and the lower part gives the tally for each of the separate

quarters. The latest 12 months brought an increase in demand over the corresponding period of 1986-87 not only overall, but in every one of the categories. "Others", by the way, covers activities such as purchasing, company legal work and various advisory and consul-

As the quarterly counts show the market is seasonal with the peak demand coming in January to March, MSL, which has been keeping its check for over 28

1981. Last autumn's Black Monfrom the MSL recruitment con- dey did not qualify as an sultancy's quarterly counts of extraordinary event. whatever managerial and key specialist the collapse of share prices may posts advertised in leading UK have meant to financial institujournals. The table covers the tions, general demand for execu-most raceot five 12-monthly tives continued strongly as though nothing had happened.
The month-by-month pattern can perhaps best be appreciated by supposing that the market was perfectly even so that, if the yearly total were to be 1,200

from its worst recorded slump in

posts, a uniform 100 would be offered each month. By contrast, November

years, has found a typical The consultancy has also found managers was the highest tal month-by-month pattern broken that the demand is cyclical, with for them in a single quart only by extraordinary events a consistent rise over a period of since 1966

good omen, for UK executive such as the market's spring back years followed by an unbroken vious experience of the cyclical swing led to the belief that the downturn which began in July-September 1985 would continue until around 1989 if not longer. But in January-March 1987 the demand desied that expectation hy turning up again and has since continued increasing.

Although MSL's market-watchto caution (they are Scottish), they are now conjecturing that the cyclical pattern has somehow. shifted to a higher threshold. If so, the rise in demand could well go on to beat the calendar year. record of 40,139 jobs which was

set in 1985. A further encouraging sign, masked by the fact that the table's quarterly figures do not separate out the categories, is that the strength of demand is not only for financial and accounting executives. The 2,081 openings advertised in January-March this year for production managers was the highest tally

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#### Stephanie Jones looks at the leading executive search firms

### Top of the pecking order

HEADHUNTING in Britain was firm's bread and hutter, with 62 doors, the partners sold out to born in the 1960s, grew up — per cent of 1987 assignments in charles Barker for a staggering larly consistent quality. The firm is well known for its the 1970s, and confidently celebrated its coming of age in the Russell Reynolds is the only Norman and his colleagues did. Big Bang era.

new maturity. The leading executives are shoulder to-shoulder developed a sound overseas net inspired considerable loyalty on tive search firms, jostling for with its competitors in St work based on links with other the part of its consultantist position throughout the 1980s. James's Square, the firm is dispersionally the consultancies, and clients through the strength of its ranks returned of their own accord. In the firm has copied with the inevitable ageing of its directors. lar market shares, and estab-lished a distinct pecking order. This development has occurred

in parallel with the commercialis-ation and regrouping of the pro-fessional services, especially in the polarisation of the accountancy business with the emergence of eight major accounting

In the same context, and coincidentally also eight in number, Britain's leading search firms are now clearly identifiable, each with its own hrand image and individual husiness culture.

Russell Reynolds, opening in New York in 1969 and in London

in 1972, leads the British market hy adapting to the indigenous business climate while retaining its dynamic American approach. Recent expansion has been due to its proven expertise in finan-cial services when headhunting demand in this sector was reaching unprecedented heights. This enabledthe firm to survive the mass defection of four consul-tants in 1982-3, led by David Norman, veteran of the historic hunt for Ian McGregor on behalf of British Steel in 1980.

The firm's elitist image, carefully nurtured by Reynolds himself – still a major shareholder and dominant personality in the firm - has been successfully transplanted and taken root in British soil. Roddy Gow, the Lon-don managing director—ex-Trinity College, Cambridge, the

search firm with a well-developed tend to face two problems: lack of Now - more respectably and internal career progression sysappropriately referred to as executive search - it has achieved a new maturity. The leading executive search - it has achieved a new maturity. The leading executive search - it has achieved a new maturity. The leading executive search - it has achieved a new maturity. The leading executive search - it has achieved a new maturity. of consultants and its effective international teamwork. Expanding turnover without losing quality could be one of its greatest future problems.

Russell Reynolds splinter indigenous version of Spencer Stuart, the most true-blue of the multinationsis.

Securities. The firm is very close group Norman Broadbent, with to its market: Miles Broadbent Goddard Kay Rogers, are the prides himself on having a next leading British firms. If the former is the UK equivalent of Russell Reynolds, the latter is the indigenous version of Spencer explains the remarkably low anyther of consultants and the number of consultants and the comparatively few researchers.

Initially set up by Peter Brooke, now the Tory Party chahman, the firm has a reputation for kid-glove handling of very senior assignments

GKE, founded in 1970, was the first British firm to practise executive search on American lines by concentrating on the top end of the market, recognition to ching to management. management consultancy or advartising and discarding tha oldboy network. Like most of the style. multinationals and unlike many other British firms, researchers at GKR play an especially significant role. But GKR's international network is less extensive

Scots Guards and Barclays Bank thons, with apparently younger very senior assignments, achievalent of a New York Ivy Leaguer. In 1986, within ness and benefiting from memFinancial services are still the

Spencer Stuart maintains the lowest profile of the multina-tional firms. Its effective penetration of even the most conservative boardrooms is a result of its presence since 1960-61 in London and its respectable, ultra-British

founded his business in the US tionately dependent on financial but, in contrast to Russell Reynolds, Lester Korn and Dick Ferry, alises in CEO and NED searches,

painstaking research - assign-ments mey he completed less quickly but more thoroughly international partners for global searches, and loss of their clients. Yet Norman Broadhent has than most. Spencer Stuart, like GKR, Egon Zehnder and – since 1983 – Russell Reynolds, has

Sir Peter Carey, for whom Nor- and the need for future regenera-man worked in his DTI days, re- tion hy retruiting young blood to engaged Norman last year to find Morgan Grenfell's new chief exec-utive, John Craven of Phoenix were ever to appear on a headwere ever to appear on a head-hunter's letterhead, it would be on Spencer Stuart's (though it might be too modest to make it

> Whitehead Mann - the most secretive of all - has a style clearly dominated by its founder and largest shareholder, Dr Anna Mann, with a highly academic, research-orientated approach. Researchers equal consultants in number, and frequently become consultants in their own right indeed, many have thus ont-grown Whitehead Mann and moved elsewhere, such as John Viney of Heidrick & Struggles, who shares Dr Mann's attitude to

The firm aims to build strong client relationships but, arguing that loyalty is a two-way process does not welcome clients who nd its respectable, ultra-British employ several search firms simultaneously. Unlike most of the original Spencer Stuart its rivals, WM is not disproporcant role. But GKR's international network is less extensive than its rivals' and this must be expanded - especially in the United States if it is to maintain its market share.

Norman Broadbent entered the search market in boom conditions, with apparently younger and more advecturous consultants than GKR. In 1986, within three years of opening their

Continued on Page 8

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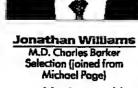
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James H. Kennedy looks at the US executive search business

## They won't choose the President this way, not yet

of the run-up to the US presiden-

tive recruitment markets of countries such as Britain, the US market relies to only a small extent on advertising higher-grade jobs to all-comers. That offers a fertile field for the executive search method of first identifying a small number of people well qual-ified for the post, then approach-ing them personally about the opening. And how well the searchers have taken their oppor-

It is true that uncertainties in "contingency" search where no the US economy, Black Monday fee is paid unless the job is filled. and continued staff-cutting by and continued staff-cutting by For the current year, our esti-big corporations contributed to a mate is that the revenues will rather lacklustre performance last year. According to the latest poll at Executive Recruiter News of leading search companies, the 1988 was their bestquarter ever. rise in revenues over 1986 was a

10 miles

But set against 1984 revenues, Last year, for the first time, the 1987 figures of the 23 biggest top 10 consultancies \$213m revethe 1987 figures of the 23 biggest

our polls since 1973. In that year we identified 800 search consultancies which collectively had revenues of \$150m. Growth was red silks) and Russell Reynolds Associates (in the more patrician limit a few years ago In 1986, by which time we were tracking some 1,500 searchers, the combined revenues hit \$2bn. That was shared about 50/50 between the two main branches work for which the consultancy

reach \$2.5bn - an increase of 20 per cent on 1987. Many searchers have said that January-March

the 1987 figures of the 23 biggest top 10 consultancies' \$213m reversal election, executive-search consultants are quietly tracking down the bundreds of staff workers who will be appointed by whoever forms the next Administration. So even though the American public has not yet entrusted "headhunters" to select the President in person, there is no denying they now play an important role in the life of the pack.

There is no in the life of the pack which summarises the findings of only 64 per cent. There is our polls since 1973. In that year me identified 900 search consultancies' \$213m revenues from within the US were exceeded by their earnings out the largest 10 almost doubled or exceeded by their earnings out the largest 10 almost doubled it — \$229m. Even more significantly, overseas volume for the leading 10 has more than doubled over the past three years, rising by 141 per cent compared with e growth in US billings of only 64 per cent.

There seems to be a bit of a perby going on at the very top between two consultancies' \$213m revenues from within the US were exceeded by their earnings out the largest 10 almost doubled over the past three rest of the pack.

A broader perspective is given by the accompanying graph which summarises the findings of only 64 per cent.

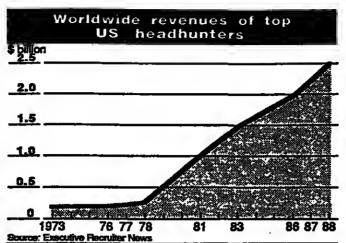
There seems to be a bit of a Derby going on at the very top between two consultancies' \$213m revenues from within the US were exceeded by their earnings out the largest 10 almost doubled or the largest 10 almost doubled in the proposition of the largest 10 almost doubled in the largest 10 almost doubled over the past three years, rising by 141 per cent compared with e growth in US billings of only 64 per cent.

purples). Just a few years ago Korn/Ferry was comfortably ahead by \$50m to \$37.5m, but now it is neck and neck. The latest tally of worldwide revenues shows K/FI at \$68.4m with Russell Reynolds a mere I per cent behind at \$67.7m.

opening. And how well the searchers have taken their opportunities is shown by the growth of their business.

It is true that uncertainties in America's dignified Spencer through networks with other constructions at \$59.8m. Peat Marwick sultancies overseas: Ward How-revenues - and Minet/BDC problems carries the colours of the ell. Nordeman Grimm, Canny ably paid e pretty penny for Big Eight accountancy firms, Bowen/AMROP. Others, such as Rut. BDC's acquisition of Haley only three of which are still involved in the search business.

The international activity is carried on by different methods. carried on by different methods, over-hungry British professional-Some consultancies run their service companies is a spectre own set-ups in several countries: that haunts some domestic con-ation, an offshoot of the UK's are getting more international. for example, Heidrick and Strug- sultancies, while others apper- MSL, which had been plagued



gies, Spencer Stuart, Russell Reynolds, Korn/Ferry, Egon Zehnder. Some are linked still aghast at the price Blue Arrow paid for Richards Consul-Boyden International, are

hybrids of cross-ownership.

Associates was more in the barlinvasion of the US by takegain-basement category. In

The largest consultancies' dominance in terms of market share does not prevent their smaller rivals from winning much of the high-level recruiting assignments from major corporations. Of 29 to appointments checked recently, the biggest 10 searchers accounted for only 16, and five of the old brigade can be star individual: Mr Gerry Roche of Heidrick and Struggles.

Meanwhile 4th — Volume old boy network, in direct contact with the employing organisation's chairman or president. Today the person in the client corporation who hires and works with the consultant is usually no more senior than a buman resources executive. As a result, boys of the old brigade can be stouched for only 16, and five of has become a commodity to be star individual: Mr Gerry Roche of Heidrick and Struggles.

Meanwhile 4th — Volume of Heidrick and Struggles.

Meanwhile the pattern of the US business is changing under pressure from employing organi-sations. The retainer branch is being concentrated more and more on filling the highest paid contingency search and do-it-yourself methods for jobs

with pay of under \$100,000.

Big consultancies are reducing tions and forming in-depth rela-tionships, often guaranteeing a minimum volume of regular assignments, with a relatively conscious client concerns are demanding that retainer consuldistinct from a percentage of the salary of the person appointed.
Some old-timers bemoan the passing of the Golden Days when search was a gentleman's game

ness, I welcome the changee
which are bringing search out of
the closet and onto the examining table. Some of the old relationships became incestuous and
sell" problem: "First we've got to

Only relatively recently has found for it.
there been significant attention Unfortunat sional practice. The Association present stuck with almost 20,000 of Executive Search Consultants shares at a loss.

(AESC) has made commendable "Mr Kennedy is editor and pub-

ervice."

cil that is as yet all promise and
But, as an observer of the busino visible performance.

caused the business to grow lazy. sell the concept, then we've got Moreover, it continues to be to sell our firm." We also hear plagued by the growing pains of fewer horror stories, although a any nascent profession. They mount include lack of professional lead-charged with insider training by ership, absence of statesmanship the Securities and Exchange among top consultancies as they vie for the "world's biggest" tag, price-cutting and other forms of fee gamesmanship.

Unfortunately, he gained only to codes of ethical and profes- \$14,000 from partial sale, and is at

progress. So has its easier-entry lisher of Executive Recruiter counterpart for individual opera- News, of Fitzwilliam, New Hamp-

### The pecking order

	Estimated annual UK fee income 1987-88	Number of assignments	Humber of consultants	
Russell Reynolds	26.6m*	250*	19	
Goddard Kay Rogers	£5,2m#	200#	15	
Norman Broadbent	E5m#	200#	7	
Spencer Stuart	£4.5m#	200#	12	
Whitehead Mann	£3.5m	150-170	10	
Heidrick & Struggles	£3.2m*	I40#	8	
Egon Zehnder	£3.2m*	160	8	
Korn/Ferry	£2.8m*	150*	7	

"Not officially supplied by the tirm; sesimated from a variety of sources, #Approximate tigures, but provided by the tirm

#### Continued from page 2

Other search firms are moving towards such linked subsidiaries, to enhance the core business diversify activities and maintain turnover. Heidrick & Struggles has achieved this through its acquisition of Eurosurvey: Egon Zehnder already has a sideline in temporary executives, and Spen-cer Stuart is planning a joint venture corporate turnaround ser-

founded in Chicago in 1953 and, tion of equity. Egon Zehnder is although reaching London in owned equally by the senior part-1970, made a real impact only mers worldwide, and all new conwith the arrival of Dr John Viney sultants are taken on with the in 1985, who doubled the number view that they will ultimately of consultants and increased fee income by more than 300 per Like Spencer Stuart, fees are cent. Dr Viney's strong and imaginative leadership pushed the difficulty, rather than the more firm into new areas, evangeliusual one-third of the successful

problem of inadequate international coverage, in this case in Egon Zehnder is the only major the Far East.
Egon Zehoder is the only non-

American of the multinational level to its executive search prac-search firms, although the Swiss tice. Dr Zehnder was originally a

Spencer Stuart consultant, He
left, as Norman and others left
Russell Reynolds, over the ones.

Russell Reynolds, over the ones.

attitude, than many of their mal. The firm's style is Eurorivals. They have developed a dispean, more than American or tinct boutique style, in contrast British and its handling of to the supermarket approach of assignments reveals typical Korn/Ferry, but share GKR's Swiss precision and extremely

search firm to offer manageme consultancy advice on a similar

drick & Struggles the most individualistic and entrepreneurial, then Korn/Ferry, the largest headhunting firm in the world, is the most ambitious. It arrived in 1973, unique among the multina-tionals in taking over an existing British firm rather than starting a new branch, but with contin-

cally aiming to break down candidate's first year remunera-theold boy network, seeing his tion. Both firms are also known firm as outgoing, open and con-temporary; its consultants are tants, although Egon Zehnder's clearly more youthful, in age and tend to be younger and less for-

ment of Stephen Rowlinson, the current London managing direc-tor, in 1985. He replaced the con-sultants largely with fellow ex-McKinsey people. But for all its prominence in American headhunting, Korn/Ferry is not yet No 1 in Britain, although Rowlinis convinced that his firm will ultimately become twice as large - in number of consultants and earnings - as any other search firm in London.

The Big Eight executive search firms have thus established distinct corporate personas, with worldwide and diversified empires, which are comparable with the Big Right accountancy firms. Together they generate an annual aggregate fee income of nearly £32m, through handling over 1,500 senior appointments. The 85 consultants within the leading search firms in Britain the same level as in the higher echelons of the professional ser-

The most senior 20 partners at Freshfields or Slaughter & May, ally, are now being joined as Britain's highest earners by top adhunters - the dozen or so individuals who lead each firm whose incomes have doubled in most successful search consultants now make as much as the people they recruit which, in the City, can often mean up to four or five times their base salaries of £100,000. Top headhunters are now peers among peers.

The author, a freelance business historian, teaches economic his

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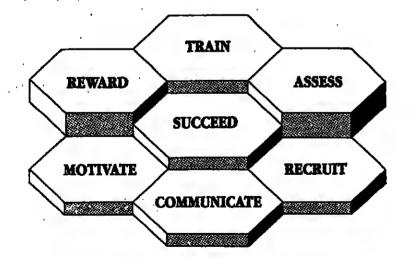
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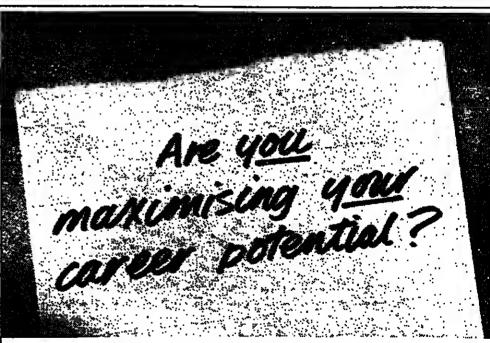
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Interviews: the case for and against face-to-face selection

### Other filters for the dregs

## A better guide than chance

THERE CANNOT be many things on which all involved in other attributes which can be recruitment - candidates as well seen to be linked with successful as employers and selection consultants - are generally agreed. But one of them is certainly that too much of the job-interviewing, which so often exercises the deci-sive influence over who gets the

The widespread impressionistic agreement on that point is sup-ported by a lot of research which has shown interviewing to be a poor predictor of work performance. Nor are the ill-effects confined to the frequent appointment of a candidate who is wrong for the work. Substandard inter-views can be equally damaging, although less noticeably eo, in rejecting the candidate who is

But had interviewing, which might perhaps be remedied by training in technique, is far from the sole problem. For it seems clear that even well-conducted interviews are in many cases unnecessary. As such, since they demand the physical presence of the victims as well as the employers' interrogators, they

are expensively wasteful.

The conclusion must surely be that it would be in everyone's interests for recruiters in general to reduce their dependence on interviews by making use of other means of filtering that do not require candidates to be pres-ent. The question is which of the numerons alternative filters available are likely to produce a good result.

If they are taken in alphabeti-cal order, astrology leads the roll. With due deference to Mrs Nancy Reagan, however, it also scores extremely poorly as a predictor of joh performance, even though there may be some claim for its ability to present a broadbrush picture of personality and style.

There are better options. The list I personally favour not only in my role as a headhunter, but also as chairman of a manufacturing and marketing company — is headed by three techniques. First is the so-called scored life-history method. Next comes fostering self-selection, in the sense of giving applicants as much relevant information on

organisation's existing staff to the selection stage, identify skills, abilities that could Even so, psychom

work. The findings are used to draw up a specification of the sort of person likely to be suitable for each job-opening, and the specifications are translated into a searching application form. The completed forms sent back hy candidates allow a pretty detailed assessment of how far they meet

Properly applied, the method has a high rating as a predictor of performance. Besides cutting down the numbers of people who need to be brought in for face-to-face grilling, it can enable employers to be sharper in questioning the few they opt to see.

Some managements could well

aiready be using a technique on similar lines without knowing it. An example is the chief of a thriving thriving consultancy I met recently who was unhappy about what he saw as his organisation's total reliance on interviews and gut-feelings in selecting staff, even though the results seemed generally good. It emerged that, before any candidates were called in, their applications were analysed in the light of a demanding employee-specification. All the interview was used for was checking whether candidates' "personal chemistry" would enable them to fit into the exist-

ing team.
The third of my preferred filters which can be applied in the applicants' absence is graphology. Although the objective evidence is that handwriting analysis is a fairly poor predictor of

#### The whistle was blown by a graphologist

working soccess, my experience any recruiter contemplating director, and the company secre is that when carried out by a using psychometric measures to tary. An external firm of psychol good professional practitioner it can be an effective guide to peo-ple's personality and style.

interviewed and unfortunately yardsticks of what qualifies best ers. The reason he was fired not recruited a few people whose job performance has veered from idiosyncratic to loony and/or which can he assessed is scratch. crooked. In the two worst cases the joh as is practicable, so the whistle was hown (alas, too enabling them to judge their suitability for themselves. Another technique is graphology.

Scored life-history starts with study of the particular employing armoistator's existing starts with study of the particular employing armoistator's existing starts with study of the particular employing armoistator's existing starts with the selection than the study of the particular employing armoistator's existing starts with the selection transport of the whistle was hown (alas, too late, by my firm's favourite graphology.

Scored life-history starts with study of the particular employing armoistator's existing starts with the selection transport of the whistle was hown (alas, too late, by my firm's favourite graphology.

Scored life-history starts with study of the particular employing armoistator's existing the start of the whistle was hown (alas, too late, by my firm's favourite graphology.

Scored life-history starts with study of the particular employing armoistatory of the particular employing them to judge their suitable was hown (alas, too late, by my firm's favourite graphology.

Scored life-history starts with study of the particular employing armoistatory and starts with starts and provided the start of the

using psychometric measures to tary. An external firm of psychol talk beforehand to a competent ogists was called in to test the specialist in the testing field, who candidate for personality fit and le's personality and style.

Is likely to be a psychologist, the like. He was also given warm with a view to deciding which references by previous employnterviewed and unfortunately yardsticks of what qualities best ers. The reason he was fired not immense. It includes,among

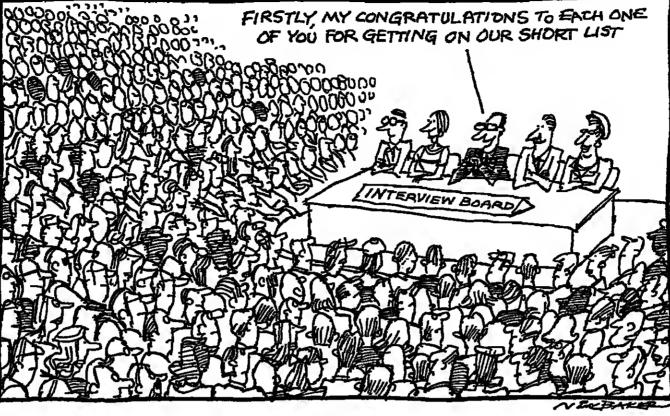
which if it is to be done in ade- not to strive after some comprewhich it is to be done in age
quate depth, usually requires the
candidates to be on hand — can
be of great value, not least in
identifying the high intelligence

more thoroughness and consist which is of inestimable impor-tance at managerial level. There the average or even above-aver-

are hundreds of such tests avail- age interview. able, but they are not suitable for application by the untrained. One was interviewed by professional of several dangers is that some recruitment consultants, the remain open to charges of illegal company's personnel manager, bias on grounds of sex or race. its previous financial controller, It is therefore important for the chairman, the managing

ests, and even mental health.

The point of using techniques the Federation of Recruitment and Even so, psychometric testing - such as those I have mentioned is Employment Services.



"I WAS with my husband one professional authority to name night at a local get-together when he suddenly produced some string and did a funny, if not entirely decent, party trick," the distinguished psychologist said.

We've also taken lots of psycho-

something my husband would never do, I'd have said it was a

Managers responsible for recruiting will not be cheered by "He's a psychologist too, and besides being long married, we hnew each other well before this evidence that judgments of people's capabilities are liable to hnew each other well before err even when made by skilled when we were students together. psychologists of their closest companion. The same applies to night, if I'd been asked on my devised by similarly error-prone accurate than forecasts that

over, far from being a pretext for job in question, such as a pile of fatalistically making appoint letters and statistical reports, and ments off the cuff, awareness of measured how well candidates the inevitable uncertainty is a deal with them. But even that reason for doing everything test turned out to be only 21 per worthwhile to keep it to the mini- cent more reliable than pure

The issue is whether decisions increase the selection process's evaluation, which consists of the fallibility (as John Courtis argues in the adjacent article), or candidates' ability which are whether they reduce it. If the later, there can be no denying they are as as necessary as other techniques that produce the same point behind, came "assessment effect. Like the other tools too, centres" which are in essence a mail or hadly and any overuse of work sample.

ing performance. The trouble is that so are the other techniques cent. But that was better than personality testing's 2 per cent, them do not seem sufficiently and tests of people's interests better than interviewing to be clearly worth the extra cost of their use.

For evidence here, I turn to a study by Dr Ivan Robertson and Dr Mike Smith of the University of Manchester Institute of Stience and Technology, in which they reviewed the results of the worst of the lot. It is worth emphasising that those percentage scores emerged from many thousands of applica-One way of measuring the methods from many thousands of applications of people's suitability predictions of people's suitability for a job with their performance carned. We just do not know how metric tests and seen one the evidence of so-called objective in it later, then work out to what successfully predictive each was another's results. But before that tests which, after all, are mostly extent the predictions were more

But, since whoever finally basis of pure chance.

But, since whoever finally basis of pure chance.

By that yardstick, the most appoint cannot avoid giving hostage to fortune, recruiters surely do better to recognise that fact then turn a blind are to it. More than turn a blind eye to it. More-various tasks important in the

chance. Second, with an 18 per cent based on interviewing generally score, came "supervisor/peer" increase the selection process's evaluation, which consists of uni-

interviews can be handled either well or bailty; and any overuse of them is not a defect in the tool itself, but in the people who decide how often to use it.

The key factor in Mr Courtis's cored life history method which argument therefore seems to be the repeated findings of research that interviews are on the whole a poor predictor of actual working performance. The trouble is from came interviews at 3 performance. Then came interviews at 3 performance are the other techniques.

**Executive search** 

### The £40,000 watershed

recruitment marketplace. An search can have its disadvanational director or general they business manager, executive them. The search can have its disadvanations the search can have its disadvanations to the search can have its disadvanatio positions are advertised. Above it, organisations turn to execu-

It is not clear why this has happened. Certainly, executive-search has shaken off any ethical

to be seen at their parties Search is undouhtedly an excellent method of resourcing positions at the highest levels of very large organisations. It also

Search is very much the Rolls-Royce approach

- expensive to buy, but very flattering on your ego. But it is results which count in the end

works extremely well in special-ist businese or technical areas where the number of potential candidates is limited. A few repu-tations may have become rather tarnished in the wake of the Big Bang and the large-scale poach-ing of banking and finance teams, but executive search con-

tinues to gain in popularity.

But should it be the automatic choice for an organisation as a recrultment method, simply value of individuals within those because a position falls above a businesses continues to rise - magical salary threshold or management grade? If you need a not simply the second-best. And

A NEW tendency is becoming functional director or general they are prepared to pay to find expensive to buy, but very flat-increasingly apparent in the business manager, executive them.

except that sometimes it can take top management.

stigma it may have had. Indeed, unnecessary limitation of the some specialists in this market-place have earned themselves for-midable reputations, and it pays quality of the consultant's unnecessary limitation of the should employ Rolls-Royce manager, they should employ Rolls-Royce techniques.

Igne Woodward:

Indeed, unnecessary limitation of the applicant group. The coverage of the marketplace is limited by the quality of the consultant's line marketplace is limited by the quality of the consultant's line marketplace is limited by the police Royce approach. research department. At the same time, because the number of potential applicants for a finance director's position is very large, it is more difficult to iden-tify good target candidates. The best candidate for such a position

may not work for an easily iden-tifiable competitor. You may waste a considerable amount of time in talking to a wide variety of people who may not really wish to move jobs, but

whose egos have been flattered by the approach.

If you advertise the position in a suitable medium, however, you reach a better cross-section of managers at the same time. True, you get no hopers and timewas-ters, but you also get a good number of high quality replies. These people have et least considered moving from their present positione rather more actively than some candidates approached by eearch consul-

As husiness and commerce becomes more competitive, the

search can have its disadvantages.

The question is, of course, But does it produce the best whether they should pay to select candidates for the job? The evidence suggests otherwise; selection and a major argument either way, has fundamental implications for the candidates that Those of us who are in recruit-

duce a sizeable short list.

The main problem for positions suspect that many the Rolls-Royce approach, but it secutive search results in an unnecessary limitation of the Rolls-Royce manager. They are looking for a count in the end.

search does not always find, Executive selection may not be

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Counselling those who have lost their jobs

### Memo to discarded executives: beware of sharks

GASH STAFF aren't given the sack; they only get outplaced. The proper of the fingle about old soldiers refers to perhaps the most striking phenomenon to occur in the past 20 years. The phenomenon is the development of "outplacement" sector. For it seems clear, not how to recover, Having apparently originated in America in the 1960s, it crossed the Atlantic at the start of the next decade and is now implanted in at least a dozen.

Sometimes entire workforces, they'd done something wrong to make it happen, but because they did nothing to prevent it. And I'd nothing to prevent it. And

A survey early last year by the Geneva-based Consultance consultance showed there were at least stancy showed there were at least first five purport to offer some falsely purport to offer some structively paid post. The next stage will be the fee. But note that you do not discuss ably failed to supply value for the fee until after your personal treatively paid post. The next stage will be the fee. But note that you do not discuss ably failed to supply value for the fee until after your personal reading of the prospective cilent's prey on the following pattern:

Looking at your career record, I don't see any serious draw.

Looking at your career record, I don't see any serious draw. business's origins of concentration of c

In America in the 1960s, it crossed the Atlantic at the start of the next decade and is now implanted in at least a dozen European countries. Although it recession, it seems to be still recession, it seems to be still recession, it seems to be still recession.

executive-status discards. But a colleagues here have met hunfew have developed the activity
of helping all ranks of people, have fallen apart, not because cited is that the persons receiv-

will be paying headhunters to lay hands on them. What price then a business whose income consists entirely of fees from discarding for the sharks of the business.

as long as it used to.

The signs are that, instead of pursuing one main line of career, ambitious people will increasingly have to switch lines several times in their working life as old types of job die and new ones with sufficient rigour to exclude the sum of the professional times in their working life as old types of job die and new ones with sufficient rigour to exclude the sum of the professional times in their working life as old types of job die and new ones with sufficient rigour to exclude the professional times in their working life as old types of job die and new ones with sufficient rigour to exclude the professional times in their working life as old types of job die and new ones with sufficient rigour to exclude the professional times in their working life as old types of job die and new ones with sufficient rigour to exclude the professional times in their working life as old types of job die and new ones with sufficient rigour to exclude the professional times in their working life as old types of job die and new ones with sufficient rigour to exclude the professional times in their working life as old types of job die and new ones with sufficient rigour to exclude the professional times in their working life as old types of job die and new ones with sufficient rigour to exclude the professional times are types of job die and new ones spring into being. Since such switches are rarely if ever easy to

with sufficient rigour to exclude any unscrupulous operator.

There were stirrings in that

changing. It looks highly likely make, there will probably be a direction when a large number of that, fairly soon, top manage heavy need for a shock absorbing ments will no longer be paying process to make the transitions outplacers to take skilled people easier. The services of good out aged 40-plus off their hands. They placement consultants would history of attempts to set up

seem to be a ready-made answer. effective self-regulating associa-But the rise in demand would tious in newly emerged businesses is not encouraging. But there the outplacement trade The most probable outcome is that counselling concerns which wish to survive will have to take on more and more self-financing on the public image of the oppoon more and more self-financing on the public image of the oppoon more and more self-financing on the public image of the oppoon more and more self-financing on the public image of the oppoon it is that an important nucleus of European counselling concerns are needed by entrepreneurial are needed on more and more self-financing customers. And as it happens, there may be a good many more of them on the market. For it looks quite likely also that, aithough humans may be in greater demand, the particular occupational skill any one of them possesses will not retain its earning power for anywhere near as long as it used to.

The signs are that instead of site variety might well lead governments are headed by entrepreneurial evaners to impose legal women. For instance, it was two members of that uucleus which their kind, would hamper the pioneered the extension of the enterprise of the honourable as service from executive-rankers to staff of all levels. It has often well as of the shifty.

While it is, of course, far from been said — and not only by will take place, the probability of image a sharper appreciation than it is enough to give the upright men of ethical issues, women consultancies reason to find ways of forestalling it from becoming a powers. There is now a golden

**Michael Dixon** 

MUCH LIKE Grouche Marx, who in the guise of an American university chief once sang: "Whatever it is, I'm against it", recruiters today might say: "Whatever it is, I can test it". They can call on a colossal number of devices for assessing a broad range of human attributes.

to act intelligently on the basis of to act intelligently on the basis of the correction in the guise of an American university chief once sang: "Whatever it is, I'm against it", recruiters behaviour, which most maniers to act intelligently on the basis of the correction in the guise of an American university chief once sang: "Whatever it is, I'm against it", recruiters to act intelligently on the basis of the correction of the corr

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ing and maripulating informaces a bit more accurate than it immediate bearing on the job for tion couched in systems of symbols like language and Besides the assessment method are a that can be odd already in wide use by profesting the profession is recorded. inscribed on paper,

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sional recruiters, recent years That is not the same as ability have seen the development of a

in question.

The connection between thousands of people and animals cope with their miserable circumstalking style and conversation is not far fetched. It is very common for a person skilled in a particular activity to form judgments of others' skills in the ised crudely by saying that the activity on the besic of their conversations were of into three on themselves for their failure to themselves for their failure to the summar again three main ways in which people can mentally interpret a failure.

First, they can blame it either the people can mentally interpret a failure.

Selection tests

recording to take careful note. A further method originating deterred from going on trying, no not of the claims the candidates in America, which is still less may have made, but of the words well known east of the Atlantic, treated. not of the claims the candidates may have made, but of the words they used and the way they used them. The analysis is finally compared with the typical content Seligman of the University of pared with the typical content Seligman of the University of problems is rooted in the same problems is rooted in the way the pennsylvania. It is founded on problems is rooted in the way the pennsylvania in the content of the university of problems is rooted in the way the people concerned accounted to the content of the university of people concerned accounted to the university of the Atlantic, at least, is one developed by the professor Seligman considers that the difference in the three groups responses to the same problems is rooted in the way the

optimists", could not be

The professor maintains that, on experiencing failure, the pessimists explain it to themselves bleakly as not only internal and stable, but also global. By con-trast, the optimists dismiss it chirpily as as merely external, unstable and specific. The realists' self-explanations fall some-

where somewhare between the bleak and chirpy extremes, And he claims his tests distinguish finely between the three approaches. He believes that only thorough-

going optimists are really fitted for jobs in which the people doing them are prone to continactivity on the basis of their con-versation. On occasions when broad types, with about a third of people are recalling an encounter the victims falling into each.

on themselves and so assume the nall reverses of fortune if not cause to be "internal"; or attri-bute their downfall to some to deal with. Examples include bute their downfall to some to deal with. Examples include

more directly selling various whole lot of the others by 10 per things, of which perhaps the cent."

supreme instance is life assurFortunately for those with pes-

A consist number of devices for assessing a broad range of human stributes.

The trouble is that in many the facility being measured in the matter would claim they assessed "intelligence" in the matter would claim they are shown only to a minority. Two of them - known related to them the trade, they often say some thing like: "In one out blinking and the minority and the matter of the target of the range out the being temporarily off form one out blindight.

Nevertheless, provided the still ontowers. The execut them is with success in the job of matter the provinces of matter than it would be without then.

What IQ tests largely measure is an arrower kind of inte oce. simistic frames of mind, the pro-Over the past five years Profes-fessor believes they are not

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### A better guide than chance

Continued from Page 4
when handled expertly, it never- boss for whom the candidates

when handled expertly, it nevertheless seems fair to suppose that
the interviewers involved were
on average less well trained in
what they were doing than those
applying most of the other methods.

What is more the others

boss for whom the candidates
would be working can get a sense
to find year a further
would be working can get a sense
to fill year and prospective subordinate can
mendation of graphology.

meet face-to-face over time. So it
"Although the objective evidence
is that handwriting-analysis is a
specific conclusion possibly
meet face-to-face over time. So it
"Although the objective evidence
is that handwriting-analysis is a
specific conclusion possibly
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interviewer says or does may
fairly poor predictor of working
to detect it can state the chemical
severations by which they do so I candidates
to reveal some in that boss
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severation by which they do so I candidates
to reveal some in that boss
and prospective subordinate can
mendation of graphology.
The best conclusion possibly
to that the best conclusion possibly
to the possibly that the best conc What is more, the others equations by which they do so, I capability never observed or largely lack a faculty that interviewing possesses. It is that the be "personal alchemy".)

Capability never observed or ence is that when carried out by a good professional practitioner it can be an effective guide...."

ment of support team.

a good professional practitioner is can be an effective guide...."

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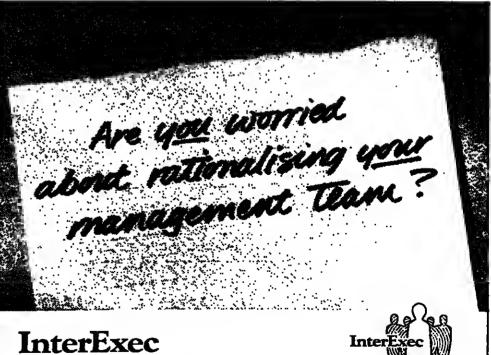
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#### **RECRUITMENT 6**

Executive pay is not the same as buying power, or as real income

## Don't feel too sorry for the Swedes

ern world is apt to feel sorry for the Scandinavians. In gross terms, their money earnings look pean countries. But caution is line with ECS's index thereof, fairly satisfactory. But when it especially required in drawing which like all other such indices work brings them, things are difguese who start with far lower group of actuaries and manage-

gross earnings.
"But you'd be quite wrong to
Scandinavians as the poor folk of Europe," says Mr Barry Rodin, a manager with Employment Conditions Abroad, one of the specialist consultan-cies which advises international employers on trends in pay and living costs in different countries.

"After all," he adds, "when you go to Stockholm and meet Swed-ish executives, for instance, you find they usually have two houses as well as a yacht and so on. So they clearly find some way of boosting their real-terms rewards that isn't picked up by the statistical measurements

The case of the Scandinavians stands as a warning to employers against vesting too much belief in the figures of surveys of earnings and living expenses. No mat-ter how painstaking the research that goes into such studies, all they can report is the levels of pay and perks prevailing in the particular employing organisa-tions or groups of job-candidate-sor whatever forming the source

Hence, the findings are at best a rough indicator of reality even when the study is confined to a single nation or region. The indications of surveys spanning several countries are almost cer-

tainly still more prone to error. Nevertheless, such evidence seems to be employers' only neans of divining what rewards they must offer to attract and retain essential skills when setting up in - or importing staff from - unfamiliar places. Given the probability that recruiters ther afield in the future, the use of survey findings seems bound to become more widespread.

comes to the more important conclusions from the table, which is again at best a rough indicator matter of the buying power their is compiled from a study made of reality. One important drawaround the start of this year by back is that it takes no account ferent. By that criteriou, they cluster at the foot of the league, along with the Greeks and Portu-

> ent consultants. ECS's full report on the survey contains a wealth of detailed information providing a context behind the inclusive "other director the interpretation of the find-tors" figures which conceal variings. The table's figures have not ances in board-level pecking only been pulled out of their con-order from country to country. In text; they are also for the most part recalculations of the report'e numbers. Whereas the original other currencies, the figures here have been put into sterling at the

London exchange market's clos-ing rates on June 16.

The table is concerned solely with pay received in money: first basic salaries, then "all cash pay" including bonuses and the like on top of salary. No account is taken of deferred pay such as pension LUXEMBOURG: contributions, or of the value of benefits in kind like company WEST GERMANY:

The first set of three columns of figures refers to the "lower quartile" executive who would be placed a quarter way up from the bottom of a ranking of all the people in the same job category and country. The second set of three relates to the "median" executive precisely half way in the ranking, and the third set to the "upper quartile" person a quarter way down from the top. BELGIUM; The final three columns are average figures calculated in the stan-lard way.

Besides giving the gross basic salaries and all'cash pay, the table ventures estimates of the buying power of the all cash earnings after deductions for tax and social security in the relevant lead and all cash for the salary for t vant land, and allowing for living-cost differences. The deduc-tions are those standard at the turn of the year for a married person with two dependent chil-dren who is a national of the country in question. So British An illustration of the sort of executives may well have been

the money value executives directly gain in return for work. In addition to the differences

that show, there is another lying order from country to country. In the nations for which the survey

JOB CATEGORY

Other directors

Chief executive

Other directors

Chief axecutive

Chief executive

Other directors

Chief executive

Other directors

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Chief executive

Other directors

Chief executive Other directors

Chief executive

Other directors

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Chief executive

Other directors

Chief executive

Other directors

Chief executive

UNITED KINGDOM: Chief executive

SWEDEN:

data available on the market is given by the accompanying payranking of the chief executives and other directors of 17 Euroand other directors of 17 Euroand other directors of 18 Euroand directors of 18 Euroand dir country's chief executives' aver- Swedish personnel chief - who age) is as follows:

> Austria - marketing Belgium - finance France - sales W. Germany - finance Greece - marketing Italy - finance 64% Netherlands - product'n 69% Portugal - sales 73% Spain - marketing Sweden - marketing Switzerland - sales UK - marketing

> > LOWER QUARTILE

pay

61,249 72,935 39,639 44,312 47,378 36,007

29,038 31,375 22,369

44,448 45,504 32,021 32,104 35,513 25,569

58,343 65,414 32,679 39,367 41,368 22,804

53,277 59,476 31,557

32,286 33,738 19,418

40,034 44,091 31,458 25,005 26,699 21,619

30,570 34,580 22,477

44,699 50,810 19,285 34,907 37,393 14,772

41,912 46,852 21,577 31,734 32,891 17,620

41,984 46,458 20,199

33,967 36,837 17,557 27,671 28,604 14,791

37,425 44,179 16,116 31,121 31,718 12,577

28,958 29,650 13,722

28,775 30,674

36,670 38,075

40,478 15,790

13,581 12,972 10,821 10,420

15,182 12,466

13,004

14,198

13.243

11,507

23,073 24,380

48,827 33,437

salary £

45,116

insists on anonymity - to be

a high proportion of families with both partners earning. While other countries are going the same way, we're well shead in it. In Sweden, for instance, about nine in every 10 women aged 25-45 are working at least part-time, a good many of them in executive posts who tend also to have husbands who are execu tives. A living standard that shown up by most pay surveys.

MEDIAN

pay £

78,644 97,718 50,072 54,770 58,583 32,748

55,306 63,763 41,871

34,999 37,873 26,646

52,308 58,370 37,718 42,976 45,051 29,283

72,773 84,600 39,349 47,379 50,589 26,149

61,370 67,405 35,157

38,963 41,677 23,612

48,778 51,765 34,002 31,077 33,465 25,771

43,460 50,620 29,866

29,648 31,935 20,758

81,528 70.513 26,763 44,829 47,298 17,952

58,744 64,063 27,094 37,810 39,441 19,646

52,244 58,114 23,417 36,089 38,634 18,663

41,845 44,677 20,892 32,196 34,148 16,890

48,928 55,773 19,461 36,529 38,146 14,520

41,462 45,418 18,768 31,923 33,071 15,032

19,383

18.302

14,868

16,719 12,745

16.824

12,731

15,440

48,479 49,789

17,594 18,501 13,071 13,442

45,105 51,688

salary 2

UPPER QUARTILE

PEY

105,521 123,598 60,456 70,239 78,638 42,127

75,583 89,276 51,069 52,128 56,987 34,762

92 185 102 682 45 108

60,547 88,075 32,440

73,076 92,470 45,736

45,937 51,089 28,474

58,233 69,518 41,727 38,233 40,520 29,828

62,190 70,510 37,370

38,301 41,740 25,879

79,179 101,112 34,464 54,588 59,840 21,786

63,619 72,351 24,467

53,805 60,812 26,709 35,361 38,146 18,181

65,084 74,646 24,862 45,050 48,470 17,297

68,852 68,981 22,255

52,846 63,476 24,656

36,943 39,568 17,004

23,422 24,313 20,891 16,250 17,118 15,723

60,196 66,046 19,527

42,121

27,438

45,743 17,158

20,175

72,764 29,407 49,238 22,675

85,748 50,677 45,554 31,196

salary

67,038

68,068 47,028

25,371

"But another thing they miss is

Basic salary

•	THE PERMOTURAINE CAN CAVE
E	advantage of some pretty good
1	tax deductions for interest on
)	loans for having not just houses,
2	but yachts and pretty well every-
	thing substantial. You sea,
2	although we nav a lot in taxes, it
1	pays for good schools so we have
	no need to pay fees for educating
	children, and for old age pensions
•	you can actually live on." The upshot, the personnel chief adds,
ŀ	upshot, the personnel chief adds,
t	is that Scandinavians tend to bor-
ŧ	row to live, and not to save a
1	nickel.
0	
t	
t	SOL bank Dhann
	Michael Dixon

AVERAGE

pay

84 923 102 628 52 586

57,838 70,704 45,102 36,132 39,401 27,352

60,853 67,388 41,404 42,775 45,743 29,733

77,596 89,226 40,732 51,120 55,175 28,039

66,486 77,324 39,636 40,032 43,177 24,268

50,414 56,417 37,058 32,586 35,054 26,598

53,790 63,620 34,355

33,099 36,114 23,113

63,170 75,758 26,994 45,618 49,502 18,789

56,983 62,082 25,266 39,656 41,499 19,891

55,695 81,802 23,884 37,857 42,014 19,079

43,856 48,147 22,082 31,744 33,710 18,673

19,419

53.817

21,006

16.847

16,514

53,580 61,800 37,805 40,302

54,437 55,376

37,512 38,153

41,994 47,005 32,772 34,379

18,469 13,480

47,732

19,220

Working abroad Family life

may come under strain

WHEN RECRUITING people to work abroad, taking family with them, a good many employers interview not just the candidates but their spouses as well.

How well the partner is fitted to cope with the change is important because expatriates' chances of success are poor if their family life is under strain. And a big source of strain is a drop in living-stan-

The table below shows -from g US viewpoint - how much would be needed in a dozen different countries over seas to keep up the standards of an American family of four who in the US would be living on a gross salary of about £28,000.

The figures come from the latest surveys of worldwide pay levels and living costs made by the US-based consul-tancy Runzheimer Interna-tional.

Whereas in the States the family would have its own home on a mortgage in "Stan-dard City", the overseas housities such as electricity and

The costs have been converted into sterling at \$1.7858
- the London exchange market's average closing rate on

ever, to use the figures to estimate the money needed to maintain the home living standard of similar-sized expetri-ate families of other nationalities, even if the breadwinner's salary was the same too.

families of different nations regard as their rightful expectations, as well as in the expense of obtaining them in different countries abroad.

People outside the US would do best to rely on surveys of: the oversess costs of expatri-Such studies are made by numerous cousultaucies sides Runzheimer, including Britain's PE-Inbacon Egham, Surrey, and the Lon-don-based Employment Conditions Abroad.

Yearly cos expatr	t in overse into family	s "bome" :	es of keep standard of	ing up US Ilving
Where	Housing	Goods etc.	Transport	Total
working	2	2	2	3
US	6,767	8.675	2,774	19,216
Tokyo	70.967	21,952	7,107	100,046
Paris	30,317	17,223	6,953	54,487 -
Geneva	27,746	19,855	5,547	53,148
London	30,967	13,550	5,812	50,329
Hong Kong	34,828	9,883	4,763	49.474
Singapore	22,818	14,238	9,335	46,381
Frankfurt	12,392	<b>15.466</b> .	5,568	33,426
Amsterdam	74,161	12,854	5,966	32,981
Brussels	12,324	13,956	5,399	31,579
Toronto	9,766	70.981	3,129	23,876
Mexico City	13,706	6,718	2,687	23,109



GPA Group Limited seeks professionals with high academic qualifications who are currently employed in financial institutions, legal or accounting firms, the public service or relevant industrial companies.

GPA GROUP LIMITED

GPA is a financial services company specialising in aircraft asset management. Based in Shannon, Ireland, with offices in London and Connecticut, it is the largest operating lessor of commercial jet aircraft in the world. GPA currently manages a fleet of 115 aircraft valued at \$2 billion with orders for additional aircraft worth approximately \$5 billion. GPA shareholders and joint venture partners include some of the world's leading airlines, aerospace manufacturers and financial institutions, as well as the majority of GPA employees.

GPA has shown continuous growth since its foundation in 1975 and now has a net worth in excess of \$450 million. It attaches great importance to the quality, commitment and innovative ability of its people, who now number 150.

The proposed appointments arise both from internal promotions and an expansion of activities within the Finance Division, which manages debt lines of \$1.9 billion and annual cash flow movements in excess of \$2.5 billion.

#### **SENIOR VICE PRESIDENT –** TREASURY

 $\pm 100.000 +$ 

Reporting to the Chief Financial Officer, this is the senior Treasury position in the group. The appointee will have a creative and visionary approach to the development of the group'esources of funds and the fostering of appropriate relationships will be very important. The appointee will be experienced in handling complex negotiations with major financial institutions and will be responsible for the management of the total Treasury function including its access to the international public debt markets.

In conjunction with the Senior Vice President - Finance he or she will share the responsibilities of the Chief Financial Officer, and work closely with him in the development and implementation of a strategic financial policy for the group. He or she will be capable of deputising for the Chief Financial Officer in his absence and of managing the total finance function.

#### **VICE PRESIDENT AND** TREASURER -**JOINT VENTURE COMPANIES**

£75,000 +

An experienced Treasurer is sought to take responsibility for the financing of GPA's affiliated companies, which are separately funded. These companies include GPA Airbus 320 Limited, GPA Fokker 100 Limited, GPA Jetprop Limited, Irish Acrospace Limited, Shannon Engine Support Limited and the recently announced joint venture with British Airways plc.

The appointee will report to the Senior Vice President - Treasury and have appropriate support staff. The position requires significant experience in structuring debt facilities with large financial institutions.

### DIRECTOR OF BANKING

The Director of Banking will provide appropriate support to the Senior Vice President, Treasury and Treasurer - Joint Venture Companies in the development of the group's debt facilities. In addition the appointee should be capable of leading negotiations with financial institutions and handling related documentation and liaison with professional advisers. Experience with large syndicated banking transactions would be an advantage.

#### FINANCIAL ACCOUNTANT -**JOINT VENTURE COMPANIES**

£45,000 +

Ref. No. 3430

A Chartered Accountant with some post qualification experience, preferably in a financial services environment, is sought for this position. Reporting to the Group Chief Accountant, be or she will service the accounting requirements of the group's joint venture companies and will also advise on the appropriate structuring of commercial transactions particularly in terms of their impact on taxation and the balance sheet.

### MANAGER - DEBT **ADMINISTRATION (LEGAL)**

An experienced professional with a legal background is sought for this position. He or she will co-ordinate banking activities on a day-to-day basis and be primarily responsible to the Senior Vice President - Treasury for ensuring compliance with all documentary obligations to the group's lenders.

#### FINANCIAL ACCOUNTANT -PARENT COMPANY

A young Chartered Accountant who has qualified in a large practicing firm will be suitable for this position. Reporting to the Group Fine Accountant, the appointee will be responsible for producing the group's consolidated management accounts and audited financial statements at year end. Familiarity with computerised accounting systems, corporate taxation and the ability to manage staff will be important.

### TREASURY ASSISTANT

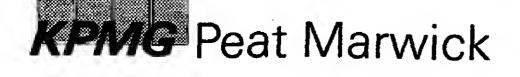
The Treasury Assistant will provide appropriate support to the Treasury team. A knowledge of banking, treasury systems and interest rate management techniques will be helpful. The position will ideally suit a recently qualified professional wishing to develop a career in Treasury.

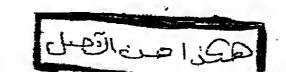
All positions are based in Shannon and require determined and resilient professionals who have a bias towards achieving results. Professional qualities must be blended with an ability to adopt a broad commercial and entrepreneurial approach to the group's business.

The compensation indicated includes competitive salaries and benefits and participation in bonus and profit sharing schemes. There are excellent opportunities for personal development and share participation.

The positions are open to personnel already within the

Candidates should send comprehensive applications in confidence, quoting the appropriate reference number, to: Brian Ward, Peat Marwick Management Consultants, 1 Stokes Place, St. Stephen's Green, Dublin 2, Ireland.





#### **RECRUITMENT 7**

Justin Smith looks at the growing freelance (or contract) market

### Just waiting for the bubble to burst

Grand Tour - curiously, the main recipients of contract adverproblem for a contractor. It will

in an overheated market, there is no doubt that

ethical standards are lowered

azine available from hins on complete halt for long periods so street corners all over London. that those left behind in perma-

work when his contract comes up on yet another new face.

Once he has transferred from a nent jobs can gradually catch up

companies to fit expensive specialists into their salary structures, especially when they are young and in short supply. When large teams of these awkward creatures are needed, the problem intensifies

Meanwhile, corporate career development demands that successful staff are promoted to highest rates for job advertisements in the British trade press. management, where they have more pay and status but also a more pay and status but also a More recently, the contract new set of skills to learn. This leaves the less experienced to do the work. Rapidly, the competent ance informer (FI). This irreverthe work. Rapidly, the competent technician becomes worth more. to the firm in the short term than the manager he works for. Few are prepared to pay their perma-nent staff on this basis.

Many of those who cannot get

IT HAS always been hard for

ain

C TATE

17 17 12

A STATE OF

and of land

on within this system transfer to panies from which they came to supplement the junior staff left behind. The system suits every-one – the company beauty in circulation up to 13,500. A survey two years ago estimated there were 13,000 analysts and programmers (and some 8,000 operators) working through the company beauty in the circulation up to 13,500. can obtain the experienced technicians it needs without upsetting the hierarchy and the contractor because he is paid enough for his skills to put up with the status of technician. Few contractors are paid less than the perma-nent staff to whom they report.

The salary scale not the only reason for the contract market. Companies changing to a new technique or environment often want at least one person who has already tried it.

Tha very nature of project development demands that large teams be assembled for a relatively short period. It has proved very convenient to be able to hire these almost completely from the contract market, throwing them out when their part of the job is done. Sometimes a different group of specialists is brought in immediately to handle the next speed with which contractors can be hired; assembling a permanent

department is a long process. By no means all contractors are purely technical. Good project mangers capable of running a large critical development or a clutch of smaller ones are scarcer than technical specialists. Whileanalysts and programmers are posters and newspaper advertise-

Contact your local office noun-

Loudon (01) 636 1791 Manchester (061) 941 5571 Gwildford (0483) 575090

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PEOPLE - THEY KEY FACTOR IN BUSINESS SUCCESS

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Subject to the contract of the subject of the subje

than a data processing one: this seems to be a growing trend.

Contracting is largely carried out through a network of agencies. They advertise havily through trade newspapers that are distributed free to computer staff. These have some of the highest rates for ich advertise. to make sure an opportunity for their particular skills comes up. Few agencies ever plough any-thing back into their contractors and indeed they rarely meet them, but they do pay quickly, carrying the cash flow problem

DBZ.

ent publication was started. unusually, by a contractor not a publisher, who has had the satisfaction of capturing a large part of the contract advertising expen-diture from the professionals. In less than six years he has built his circulation up to 13,500.

most serious contractors can be

permanent computer staff

TENERIFE OR Davos this year You could do both as the chief accountant of our Midlands engineering company." Or "How'a your golf? Our new personnel director will have time to play

Not many appointments are advertised on the basis of what you can get up to when you're not doing the job. Except for tem-

porary employment.

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sgow (041) 427 6880 Remel Hempstead (0442) 231777

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Try the temp test ments are anything to go by, I ... wonder what companies who use the agencies think about employ-

Authority if they tried to sell temping on the rewards and sat-isfactions of the work itself. It was certainly not the fault of the agencies. The 30 or so I registered with, including all the were not pr sional. I did not come across a women made redundant who single interviewer who was not were trying out a new profession

no experience. the job market. There were stu-The problems start when you dents getting work experience as ing, discouraging and often ing their way round the world.

I had to borrow one from the woman at the next desk. It was

ssignments to get used to.

Companies use temps for more than holiday cover or during a flu epidemic. One-off projects like automation, establishing a new

hired and fired at a day's notice. I worked for several weeks in a high street bank helping to sort out a systems catastropha that followed Big Bang. One well-known mortgage company

It is in everyone's interest that employers learn to make the best

Many agencies give their temps

pleasant and belpful with colleagues and supervisors." What

labour pool at £3.50 an hour. description of what the company But although I was not in their did would also be useful. The description of what the company

of training available to any mem-ber of staff receive because of the develop one's experience. charge some things before tax.

There are also quite a few AusHe will have to run his own car, danger of their hawking the new skill in the market place. tralians and New Zealanders and provide for his own health — working their passage by con-without insurance a long illness tracting on their traditional could prove catastrophic.

The short-sightedness of man-Grand Tour - curiously, the main recipients of contract advertising outside the trade press are the Australian oriented free magnetic free mag agement can be breathtaking on occasious. The CCTA recently such as their own SSADM meth-odology. This bas provided a sharp upwards twist for contract rates but virtually wipes out a whole generation or two of experienced contractors who will find it very bard to obtain these skills. The irony is that these permanent job, the contractor's again through promotion. staff are likely to be replaced by life is likely to be rather different. If he is lucky or fairly senior, learn something new every time manent staff.

he may be treated as a valuable they change site. As the clients consultant from whom all on site are looking for experience, taking Other companies have relied on the market to the extent of can learn. On the other had, if he a course in a new skill is unlikely setting their targets so tight they is more junior and working in a to lead to new opportunities team of permanent staff he may unless a client has agreed to it in can be met only by experienced ket is going. Some of us have they can move the European professionals, leaving no room in expected the bubble to burst for market towards the UK model. find his income resented by those advance. However, a contractor who are not prepared to take the who develops a relationship with same risks themselves. Whatever a client stands a good chance he staff. The benefits of these pro-jects are such that they are then happens, be will have to perform will be given something new to or be will find himself out of do rather than the company take prepared to pay whatever they must to assemble these teams. This was particularly noticeable The traditional answer if the command between £1,000 and £1,500 a week. And that is after an agency has taken its cut of between 15 and 30 per cent.

Many others transfer to contracting because their career paths are blocked in their present.

Many others transfer to contract ends satisfactorily, he may find it takes a while to find sioned with the cost of training during the run-up to "Big Bang" in the City, when rates took a sharp twist upwards.

Many of the new corporate entrants bad no choice. They could not have developed their

written checklist would be better

filled out by the new employee's

supervisor during a 15-minute discussion. Does this sound like

common sense? The main charac-

teristic of common sense is that it is uncommon. Only once did I

The immediate result is that

employers would get better value for money from their temps. If the habit spread, agencies might

be able to attract staff for what

they are being employed to do.

But I am sure it would not stop

there. A regular checklist would

be a sell-out among the perma

It is not only temps who are

unproductive because of a lack of

the simplest, most basic practice

of people management. I found that the way temps were treated

was symptomatic of the manage

ment style that pervaded the

whole company.

If the permanent employees

to me, they were the same to each other. If they could explain my job to me, they understood their own. If they motivated me,

they were motivated themselves.

It does not matter whether a

person is there for three weeks or

three years or 30 years, be or she

is paid to do a job and to have the same desire to do it well. We

nent staff, too.

come across anything like it.

market at short notice and taking the first adequate staff they can find, whatever the cost. It is not unknown for a team to start work within a week of the budget becoming available. This forces the agencies to dump all possible CVs on their clients' desks without sifting them properly, and frequently without telling the

Clients are likely to receive the same CV from several sources, though this no longer seems to bother them as it did a few years ago. They tend to take the first one presented, so they encourage the agencies in their bad habits. Contractors may well accept a job and then withdraw from it at the last moment, or get two offers and try to play the agencies off against one another.

It is not clear where this mar-

years, but despite quiet patches it seems to go from strength to strength. Those agencies that would like to improve their ser-vices by filtering the staff put forward more carefully are find-

Some companies are concenup their own project manage ment and paying it properly. Those that fail to come up to this are released into the contract market from which they can hire the more junior staff when they need them. Other large companies are developing internal con-sultancy groups that sidestep the hierarchy problem and keep the more senior jobs in-house.

The effect of the decline in the flow of young people fresh from school will also be interesting. One of the most obvious pools of professionals, both contract and permanent, whose skills have become out of date but who may have the experience to pick up new techniques quickly.

Finally, what will be the effect of 1992? Germany ellows no recruitment agencies at all. everything being controlled by a government department. Most other EC countries have some restrictions. Britain's recrult-ment industry is probably the most developed and dynamic in Europe and well placed to take advantage of the relaxetion of restraints. Many agencies aiready place people in overseas markets. It will be interesting to see if



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Systems development staff — computer programmers, systems analysts and business analysts—should have been around long enough by now to be squeezed into the monid. However, changes in technology and the increasing importance of information management have created demands for new skills that ated demands for new skills that out through a network of agencies, most have their CVs are liable to be poached as soon as they are developed.

Meanwhile, corporate career

for the smaller one-arm bands.

Systems staff "go contract" for many different reasons. A basic

one is money. A contractor should earn at least 50 per cent more than he would in a perma-nent position and a rise of 100 per cent is a not unreasonable expectation. This means rates of £500+ a week in the South-East for an old-fashioned COBOL programmer. £600-£900 for someone experienced in one of the newer "Fourth Generation" languages

reached through its pages.
FI estimates it has over 200 agency advertisers, of which at least a dozen are "multiples" with branches in more than one region. Most of the older ones combine contract agency with

recruitment. The market is highly struc-tured with clients demanding specific combinations of skill and experience, usually in the same industry. Insurance companies do not want to teach the contractor the basics of insurance any more than they want to teach him

Sick pay, holiday pay and the freedom not to work are the main attractions of temping, if the

ing people who are only interested in their time off. Perhaps the agencies feel they have have no choice. I had had 11 temporary jobs when I wrote Management Mole, most of them

on mini computers or main-frames or in the latest key IBM

mainframe products such as

Senior husiness analysts and

project manager for large critical projects – people who prevent expensive mistakes being made

in identifying the requirement

and designing the solution, and

those who can manage a large

number of sub-teams well - can work when his command between £1,000 and for renewal.

with large, well-known compa-nies. In my experience, the treatment of temps is generally so bad that the agencies would fall foul of the Advertising Standards

skilled, courteous and consider or looking for permanent work, ate. They were also mindful of There were mothers who their clients. It was extremely wanted to work only in term hard to get a job in which I had time, easing their way back into

The problems start when you dents getting work experience as turn up for work. With a few well as money at night or week exceptions, the treatment of ends or vacations. And overseas of their temporary staff. Most the same desire to do it well we are all temps in the long run.

The author was general management the same desire to do it well we are all temps in the long run.

The author was general management the same desire to do it well we are all temps in the long run.

your coat or where the coffee machine is. In one large bank in the City you need a pass to get the Aldwych.) And there were codes of conduct and simple tips, out on the landings where the full-time career temps who sim such as "always ask for work if tollets are. But temps are not ply preferred being independent you run out," and "try to be

either that or ring a bell like a fire alarm to be let back in. The eerie feeling of being a non-person, an untouchable, took a few

Temps are rarely asked to Temps are rarely asked to meetings. At one large insurance company where I worked a meetong was called to explain a new procedure. Of course I was excluded. The job most affected was mine and I got into trouble the next day for not following it.

Despite what the advertisemants say, most temps I met but at the positive property labour is raperated considerably more. The procedure, or considerably more. The fitted in with the rest of the procedure of the procedure of the procedure. The meat would also be useful. The meat would be a description of what the job entailed, expected standards of performance, how it fitted in with the rest of the procedure. The meat would be a description of what the job entailed, expected standards of performance, how it fitted in with the rest of the procedure. The meat would be a description of what the job entailed, expected procedure, which is the procedure. The procedure is the procedure of the procedure is the procedure is the procedure of the procedure is the procedure of the



John Mole makes a plea to employers

downright discourteous.

It came across plenty of artists
It starts with the simple things
earning a living and actors restlike not being told where to hang ing between auditions. (You almost need an Equity card to register with the agencies round the Aldwych.) And there were

and self-employed. Temping embraces all levels expertise and earning power. Being an ex-general manager with an MBA, I was unqualified to do anything useful and floundered around the bottom of the

activity, or opportunistic pieces of business like privatisations need a workforce that can be in 80 per cent of its posts - until its auditors grumbled.

Many employers use the temp market to recruit permanent staff. It is cheaper and more reliable than advertising and intermajor ones, were very profes- go on safari. There were men and viewing and saves the awkward probationary period. I have been on both sides of the desk in that process. The pinnacle of my temping career was being for-mally offered a permanent job as an assistant reconciliations clerk.

because of poor management.
Whether a job is being done by a
10-day temp or a 10-year perma10-day temp or a 10-year perma1

was missing was an equivalent code of practice for employers. What would such a code inclode? Obviously, hours of work and lunch facilities. A brief

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### **RECRUITMENT 8**

Company cars are more than a mark of status, says Michael Dixon

## The appeal of four-wheeled perks

sought after than the company car. "The class of vehicle a job carries is a topic of supreme interest," said a personnel direc-

ing particularly of Britain where

Finiand

Norway

**Portugal** 

Greece

Belgium

Denmark

Sweden

Italy

Spain

Austria

Switzerland

Luxembourg

**Netherlands** 

West Germany

executives

85.5

65.3

96.3

78.0

52.6

71.1

59.9

58.3

37.4

76.1

64.9

57.7

72.0

92.9

85.4

100.0

77.8

93.9

80.0

70.0

84.6

76.7

86.7

82.4

69.8

83.3

% with free private use

% with car

four wheeled perks. But they are becoming an increasingly important element of the rewards of managers and key specialist staff

Other top

73.8

78.0

71.9

63.6

73.3

70.1

65.9

74.4

58.1

63.9

management

75.6

80.8

51.9

79.7

72.3

41.0

63.6

42.7

70.3

64.1

49.2

22.2

61.5

46.7

45.7

50.2

78.8

70.7

60.0

75.0

75.6

72.7

61.4

73.3

53.5

46.7

58.8

48.8

16.7

managers in

69.2

41.0

63.3

38.3

64.1

27.3

66.9

20.2

38.3

35.9

30.9

10.3

sales & marketing

interest," said a personnel directant element of the rewards of a company car allowances in lieu), and free private to which cars (or nearly 3,500 board-level as well as the rewards of a company car allowances in lieu), and free private to which cars (or nearly 3,500 board-level as well as the rewards of a company car allowances in lieu), and free private to which cars (or nearly 3,500 board-level as well as the rewards of a company car allowances in lieu), and free private to which cars (or nearly 3,500 board-level as well as the rewards of a company car allowances in lieu), and free private to which cars (or nearly 3,500 board-level as well as the rewards of a company car allowances in lieu), and free private to which cars (or nearly 3,500 board-level as well as the rewards of a company car allowances in lieu), and free private to which cars (or nearly 3,500 board-level as well as the rewards of a company car allowances in lieu), and free private to which cars (or managers in 16 European countries is shown by the accompany tries is shown by

Other

42.9

41.5

30.0

40.0

36.4

28.1

**20.0** 

40.0

17.9

25.6

13.3

11.8

18.6

16.7

middle-rankers

34.3

28.3

28.3

24.8

36.4

14.1

19.4

12.7

8.2

12.2

7.7

15.0

13.4

NO PERK la more jealously organisations appear to be the tion to subsidised travel to work costs of non-husiness motoring Compensation Service consulworld's most generous with by public transport, and some although, in several countries, tancy, which is part of the inter-

rank of the hierarchy. The use of the vehicle, in the sense wards surveys made annually hy websited in additional that the company pays all direct the Brussels-based Executive rankings to be produced of the makes and types of vehicle most used hy Europe's board-rank managers. But since such "league tables" are apt to be contentious, not least among motor-manufac-turers, it is worth explaining how the rankings have been compiled. ECS asks each company pro-viding data to name the types of

cars it favours. Some are of course named more often than others, and the study distin-guishes between four orders of frequency of mention. The rankings are made by awarding two points to types mentioned most often in each country, 1% to those in the second most often category, 1% to types in the third, and one to those in the fourth. Where makes and models are placed depends on the percentage they score of the total points available. (See table, top

As vehicle prices and running costs are not constant internationally, the costs companies incur in providing cars vary considerably from land to land. So does the importance of those costs as an element of total outlay on executive rewards. An idea of the variances is given by taking the average cost in each country of providing chief execu-tives' cars and calculating it as a percentage of the chiefs' average total money pay, as follows:

I	Portugal	24%
2	Finland	17%
3=	United Kingdom	13%
3=	Sweden	13%
54	Netherlands	12%
5-	Spain	12%
7=	Belgium	11%
7-	Denmark	11%
ġ	France	10%
10	West Germany	9%
iĭ	Italy	8%
12	Switzerland	7%

benefit east of the Atlantic, how mobile. Those who got an Olds ever, there are signs that US now get Chevrolets. As for those employers are beginning to cut down on the four-wheeled perk. they'll get is a Yugo."

% of mentions Manufacturer Audi 12.4 11.5 10.3 9.8 9.7 6.8 5.1 4.1 3.5 2.8 2.0 1.8 1.7 1.4 1.4 0.8 Ford BMW Renault Volvo Mercedes Opel/Vauxhall Peugeot Lancia Citroen Alfa-Romeo Rover Honda Fiat Mazda Volkswagen

On the same basis, the ranking of the top 21 types of vehicles was as follows (in cases such as Audi 100 and Fnrd Scnrpio/Granada the scores cover

Nissan

Audi 100	12
Ford Scorpio/Granada	8.
BMW 5 series	8.
Mercedes 200 series	7.
Renault 25	5.
Volvo 700 series	5.
Volvo 200 series	4.
Peugeot 505	3.
Ford Sierra	3.
Saab 900	3.
Opel/V Rekord/Carlton	3
BMW 3 series	2
Mercedes 190	2
Opel/V Omega/Senator	2
Renault 21	1.
Lancia Thema	ī
Renault 9	ī
Saab 9000	ī
Citroën BX	ī
Citroën CX	î.
Lancia Prisma	ī
ARTICLE A CAPILLY	-

A study of over 200 organis: tions there made recently by the Runzheimer International consul tancy showed that, of the biggest employers in the sample, 19 per cent had reduced the number of executives receiving a car. The same was true of between 8 and 14 per cent of the various groupings of smaller organisations. There was also a trend among companies of all sizes to down grade the models of car supplied to each management rank,

"More and more companies seem to be deciding that down-grading models can produce a pretty good saving," said a Runzheimer International apokeswhile company cars may be rate a Cadillac are being told still expanding as an executive they must make do with an OldsJob mobility

### A case for going to consultants

THE PROSPECT of internationally widening opportunities for managers and key specialists is in an important of the specialists in the specialists is in the special state of the specialists in the special state of the specialists in the special state of the special state of the special special state of the special spec hle for meeting their organisa country operation because you tion's needs of human skills, for haven't the intrinsic lure of inc.

"There's only one sort of people who think it's easy to get someone to take a job that means moving home, and that's people The day to day the people overseas places were made to overseas places were places were made to who don't have to do it," snorted all cars in the name range the human relations manager of regardlesa of differences in trim and even engine size):

way our top executives behave, you might think they're con-

> That's why so many top-manage ing on the same level as locally ment plans go wrong, particularly when they involve a change "It's true you can buy survey" larly when they involve a change

> - can only be made more severe ing about.
>
> by the trends discussed in the "Fortunately though, now by the trends discussed in the

responsible for the staffing of his company's operations in some they're expensive, they can be four dozen different territories, very useful – and I'm not saying whether by transfers from elsewhere within the company or by an alternative source of employnew recruitment either in or outside the country in question. He is said the country in question. He is like me." same task can be as pressing,

example, the broadening of individuals' career horizons promises to make already knotty problems worse still.

companies, like their international counterparts, are hampered by another developing trend it is for promising candi-dates to have husbands or wives

you might think they're convinced that they only have to make a new plan for the kinds of people it requires to be on hand to implement it.

"But the truth is that getting them can be the very devil of a task. It's not just ensuring you have enough people of the sort who, when you look in one of who, when you look in one of their ears, you don't see daylight out of the other. Whatever your organisational strategy might be, it won't work properly if the balance of skills and attitudes in your workforce doesn't suit it. That's why so many top-manage-

larly when they involve a change of course."

Given the signs that the need for organisations to change tack will become more frequent, the need to develop and maintain an appropriate workfirce looks likely to be increasingly decisive. The difficulties of doing so which, as the human relations manager added, are bad enough manager added, are bad enough even for small company in times of high unemployment in times of high unemployment on their mind doesn't bear think-ing about.

by the trends discussed in the opening article of this survey. And the difficulties seem sure to be especially taxing for organisations too small to employ a specialist, like the man quoted, in ways of overcoming the problems of staff mobility. His own main concern is international mobility, for he is responsible for the staffing of his hands. Although I've heard company's operations in some they're expensive, they can be

Michael Dixon

further

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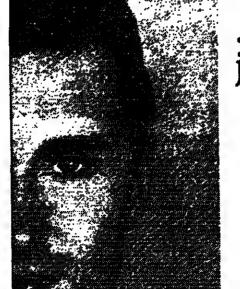
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- ... fully appreciate your contribution to the organisation?
- ...know when your meetings can and cannot be interrupted?
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important meeting? ... and to work on confidential matters?

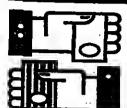
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The crash, a temporary setback in the growth of the global securities market, has provoked a reappraisal of many

firms' strategies, writes Euromarkets Correspondent Stephen Fidler. But in correcting previous excesses it will be important not to abandon valuable practices and instruments.

### Don't throw out the baby

IT HAS been a year for stripping the process of securitisation – away pretensions: a year in where the securities markets, which many in the securities rather than banks, intermediate husiness - like the successful bond trader in Tom Wolfe's book about New York - will have been forced to commit their vanities to the bonfire. Like the mea-nest of unfashionable smokestack industries, the global capital mar-ket suffers business cycles.

A crash of unprecedented proportions on stock markets across the world has had devastating effects. Yet, in the words of tha Bank for International Settlements: "Surprisingly, in view of all that happened, world economic prospects in the spring of 1968 present a picture not strik-ingly different from a year ago." Perhaps, as it says, the link-ges between the real and financial world are weaker than in the

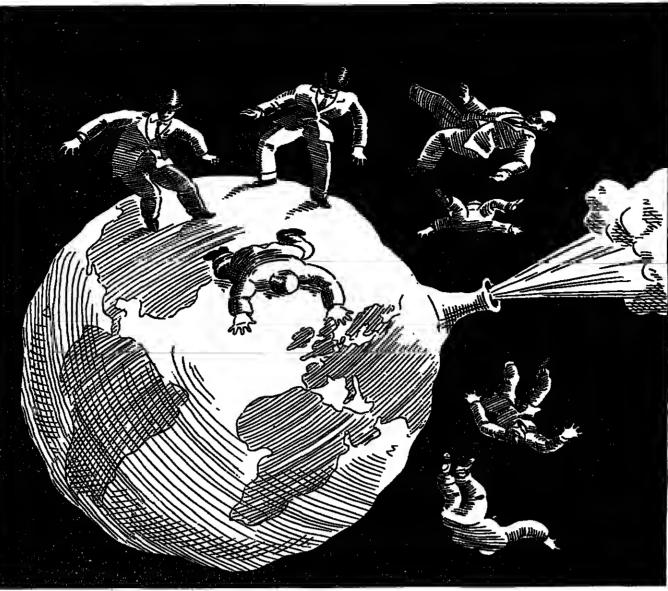
Within the financial markets, though, there has been a signifi-cant reappraisal of objectives. In some areas, the crash merely acted as a catalyst in highlighting unconnected problems. In others, it directly affected profits,

sometimes devastatingly. The underlying assumptions of many firms' strategies have been called seriously into question. capital - and on a perceived globalisation of the financial mar-

Little privete-sector capital raising was done, except through the banks in the months following the crash; and investors, hav-ing scurried home to domestic markets, have been loth to emerge again on the interna-tional scene.

Yet it would be wrong to claim that securitisation had somehow stopped, and that the internationalisation of the capital market has suffered anything more than a temporary setback. Neither are developments which can be com-

pletely unwound.
As the Bank of England remarked in its May Quarterly Bulletin: "Rather than a reversal of securitisation as a whole, there may be a return to large and liq-uid bond issues, to domestic markets and to security issues with banking



### INTERNATIONAL **Capital Markets**

rities markets was more than ing on one (or maybe a few) marjust a temporary phenomenon." Tha reason is, it says, "the tinct service or can exploit a increasing osmosis between the particular advantage." national and international financial markets."

Assessments are certainly more cautious than hefore the crash, however, and the result has been a tempering of ambi-tion. As a report on the international capital markets by KPMG, bank back-ups. As a result there the accountancy and consultancy may be only a partial shift in the group, notes, after interviews locus of intermediation back to with some 150 senior executives in the business

For its part, the BIS concludes "From wishing to be one-stop that it is "unlikely that the con-providers of financial services, These often depended heavily on traction of the international secu- many institutions are now focus-

the shifts in strategy. kets where they can offer a dis-

In view of the unprecedented volatility affecting all the international markets, it is remarkable that firms have had the huxury to make this studied reappraisal. Indeed, hy common consent, the markets have shown great resilience.

From the point of view of participants in the markets, what has happened over the last 18 months has revealed significant shortcomings in their manage-ment of risk and of performance.

tcomings are bringing about There are numerous examples

of firms having simply underestimated the risks of what they and their clients are doing. One consequence has been underpricing, which is encouraged in any case by the heightened competition in many markets, including Lon-don, as they open up to foreign participation.

It was seen forcefully in the collapse of the perpetual floating-rate note market in Europe, and the subsequent loss of liquidity in the market for dated floating-rate notes issued hy banks. Traders and investors had over-estimated their ability to only 26 per cent of senior execu-

clearly underestimated the risks of holding such instruments, the aggressive pricing of which had ity in the secondary market. In either to the short-term markets, tions" such as Eurocommercial paper, about.

or back to the banks.

#### CONTENTS

Global economy: why fund managers are aiting on their

Slerlieg, muscles are flexed

Regulation: reciprocity worries

sell their holdings of shares at prices close to those being cur-

rently quoted.

Thus foreign investors were over-invested in many smaller markets before the crash, and post-crash are doubly cantious about reinvesting in these markets, many of which were in Asia and Australasia, where liquidity proved wholly inadequate.

This "liquidity illusion" was

not limited only to the small mar-kets. Technology and shifting patterns of share ownership had thrust more and more power into the hands of institutional investors, and this had not been fully recognised even in the largest

Techniques used in the US - such as portfolio insurance, in which the value of portfolios would be protected as the stock market fell by the sales of shares or of stock index futures - simply made false assumptions about liquidity and helped to set train a destabilising cycle of

tection of the value of equity portfolios, now widely discred-ited, may have played a part in huilding up the institutional holdings of equities to unprecedented and unsustainable levels. This may continue to hurt equity market performance even when market fundamentals appear

strong. Risks were also often under-estimated or incompletely understood by financial engineers and innovators. Thus, Merrill Lynch ost \$275m in a short period early last year, in its mortgage securi-ties husiness in the US, from the effects of a rise in interest rates. Other firms have suffered in the options markets.

Investors were also inclined to resulted from over-optimistic take for granted some of the sup-assumptions about their tradabil- posed innovations, the complicated structures of which allowed the demise of this sector alone, large returns to their creators at there was a strong impetus forc-the expense of investors or issu-ing many borrowers into other ers. They are now taking a forms of floating rate finance, harder look at these "innova-either to the short-term markets, tions", and so there are fewer

The rapid growth of the capital Not only in this field, however, markets also resulted inevitably were over-optimistic assumptions in slack management control and about market liquidity made. In poor performance assessment in stock markets worldwide, intermany business areas, in their national and domestic investors responses to the KPMG survey,

tives at some 150 institutions worldwide said they were satis-fled with their performance con-

trol techniques Attempts to gain more control have led firms to rein in sor departments, occasionally result-ing in resignations or firings. Many New York securities firms have attempted to impose more head-office control over their London operations, causing some

This reassessment has naturally caused some firms to retrench, and jobs have been lost in both London and New York, although not, it must be said, in Tokyo. Many firms have looked again at the Eurobond market, some deciding to pull out of a husiness where returns have been consistently inadequate and where they are likely to continue to be so. Capacity has been reduced in the equity market too, in many centres, partly a result of the significant effect that

losses last year had on capital. Last year's losses resulted in a significant erosion of capital at a time when capital adequacy is becoming of heightened impor-tance for securities firms. New rules introduced in Britain under the Financial Services Act make it essential that, in London at least, firms are more aware of the true capital costs of doing husiness. While there are those who believe that this new regulation will affect London's position as Europe's premier financial centre, it seems likely that the UK will be used as a model elsewhere in the European Community in the prelude to capital liberalisa-tion in 1992.

In some cases, the question of capital shortages will he addressed by mergers and acqui-Europe, prior to 1992, in the US, the expected abolition or continued erosion of the Glass-Steagall Act may provide for a recapitalis-ation of securities firms through acquisitions, perhaps by regional US banks, or even the Japanese.

In Japan, the equivalent of Glass-Steagall - Article 65 seems unlikely to ontlive the US act hy much, holding out the prospect of a reorganisation of financial intermediaries with far-reaching implications interna-

Continued on Page 2

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## Why the fund managers are sitting on their hands

nant and opposite fears.

The first was that the crash would create a recession. The huge fall in equity prices reduced the wealth of the investing popolation, and it was thought that this "wealth effect" would work through into lower consumption

and output. This view has now petered out, faced by economic data to the contrary since the beginning of the year from the major economies. It has been replaced by the second dominant fear - that buoyant consumption and output will lead to a rise in inflation. This has fuelled investor uncer-because economic activity will be tainty over the economic outlook,

The yield curve in bond markets around the world has steepened appreciably since this view began to take hold. The behavour of the US Federal Reserve, ths US central bank, in engineering a rise in short-term interest rates has lent *de facto* credibility

Yet the twin fears of recession and inflation have been the out-ward expression of an even dar-

The stock market crash was, to the psychological well-being of investors, analogous to dropping a very large rock in a very big still pool of water. Months later, the ripples continue to be felt.

The even darker fear of commitment in an age of diminished expectations

This has fuelled investor uncerand led to movements in finan cial markets being exaggerated. Salomon Brothers, the US securities house recently estimated Industrial Average a point in either direction now takes half as much demand for US shares as in the giddy pre-crasb market. Anecdotal evidence in London suggests a similar pattern for shares and gilt-edged securities.

The markets, however, have the OECD also breaks its fore-

confounded the expectations of post-October pessimists and continued to grow at an impressive

According to the International Monetary Fund, in its latest World Economic Outlook, world output last year is now thought to have expanded by around 3 per cent, with the US growing by nearly that rate, and Japan and West Germany expanding by 4.2 per cent and 1.7 per cent respectively, and the UK by 4.5 per cent

Moreover the growth has been achieved with fairly stable prices. The gross domestic product deflators (the best measure of domestically-generated inflation) of the industrial countries rose by 2.7 per cent in 1987, and are projected to rise by 3 per cent this year and 3.1 per cent in 1989. The latest forecasts from the Organisation for Economic Co-operation and Development are

be a marked slow-down in the financial markets. second half of the year. The Bank
of England, which makes halfVice President George Bush, is

At the same time, as growth to a lack of leadership.

slows, there may be signs that As the IMF put it, somewhat inflation is on the rise. According gravely: "Over the medium term, to the OECD, it will rise steadily the international economic pi in the US and Japan, but be set pects are affected by the per on a downward trend in Europe.

higher inflation is not propitious about how governments and prifor financial markets.

This more restrained outlook for the second half of this year sits uncomfortably with the other major world event of that time:

A scenario of slower growth and quantoria, and by uncertaintal priformatics about how governments and private economic agents will respond to them."

The serious financial disequalities are, of course, the US budget deficit and its trade and current deficit. grips with the US budget deficit tries of mainly north-east Asia.

SINCE THE October crash in wardly held concern the fear of commitment in an age of conviction to a changed economy, have been gripped by two dominant and opposite fears.

SINCE THE October crash in ker and inwardly held concern the fear of commitment in an age of conviction to a changed economy, have been gripped by two dominant and opposite fears.

Falled to respond with any degree of conviction to a changed economy, have on a half-yearly basis. This predicts that growth in ance of payments, then the prospect of a new administration has done little to allay the fears of conviction to a changed economy, has indeed the world economy, has cannot be of conviction to a changed economy, has indeed the world economy, has cannot be of conviction to a changed economy.

yearly forecasts of the major implicated in the current Admineconomies, endorses this view. In istration's economic policies, its latest Quarterly Bulletin, it while those of his likely Demoprojects a 2.7 per cent growth in cratic opponent, Mr Michael output for the six major econo- Dukakis, are too little known to mies, but says that by the fourth have had much impact apart quarter the major economies will from adding to the confusion. be expanding by only 1% per Likely US policy is subject to as

the international economic pros tence of serious financial dise-A scenario of slower growth and qualibria, and by uncertainties

the US presidential election. If an account deficits. The latter are underlying cause of the October reflected in the external accounts crash was the failure of tha Rea-of Japan and West Germany, and gan Administration to come to the newly industrialised coun-

position of the above protago- thought to have peaked as a pergross national product, is proj-ected by the IMF to fall from a Although the above instahigh of 3.6 per cent of GNP to 3 per cent this year, and 2.6 per

cent in 1989. For the surplus countries, a similar story can be told. Japan's current account surplus now appears to have peaked at 4.3 per cent of GNP in 1986. It fell to 3.6 per cent last year, and the IMF expects it to fall to 2.7 per cent this year and 2.5 per cent in 1989. Likewise West Germany, where the current account surplus peaked in 1986.

In the case of Germany, however, the process of adjustment has been slower than in Japan. percentage of GNP. West Ger- the level which currency markets many's is expected to fall by only operate — the monthly nominal a third, from 4.2 per cent in 1986 and unseasonally adjusted trade

Although the above indica that the movement towards addressing the imbalances is going in the right direction, the

Foreigners seem to have little appetite for US assets at the going rate

question remains whether it will of financial markets.

There is a real improvement While the IMF forecasts that taking place in US trade, but it Japan's surplus will halve as a seems to promise little relief at Finally, an improvement in the that exports have grow at least collective surpluses of the newly industrialised countries — to keep the nominal trade deficit Taiwan, South Korea, Hong Kong from widening. This is hardly

There has been a large and Singapore - is also seen to propitious for the dollar or finan-improvement in the external be occurring. Their surplus is cial markets.

Foreigners seem to have little nists. The US current account centage of GNP in 1987 at 11.5 per appetite for US assets at the deficit, as a percentage of US cent, and is projected to fall to going rate, and there is a limit. going rate, and there is a limit, possibly already reached, to which foreign central banks will-be willing to finance the nominal US current account deficit through purchases of US Tree-sury bonds. The acquisition of mi estimated \$140bn of US securities ast year by foreign central banks had its counterpart in ristage domestic money supplies of Ger-

many, Japan and Britain. These countries are concerned to see that their domestic prices remain stable, and a large question-mark hovers over their resolve to repeat last year's spending spree in the currency

With such uncertainty sur-rounding the medium term for growth, inflation and the dollar, there is little wonder that fund managers have decided that the safest strategy of all is to sit on their hands and take the returns

Simon Holberton

#### **Eurobonds**

### Slowdown still leaves market robust

securities bouse or another has 18 months, and withdrawals withdrawn from this or that sec- from, particularly, the floating tor of the Eurobond market, or rate note sector had gathered even pulled out of the business. often appear these days.

But the impression that the Eurobond market is coming apart at the seams is belied not only by also by secondary market turn-over. Both seem to be holding up surprisingly well.

It is easy to confuse the Euro-bond market's difficulties with those that have beset the City of London since last October's stock market crash

What the crash did was accelerate the rate of closures of Eurobond departments, because it led management to examine more closely the performance of all their businesses. But it had been clear that the market was over-

pace early in 1987.

At the same time, bowever, participants in both the new-issues market and the secondary market were taking steps to curb the effects of the overcrowding. Pricings of new bonds dictated purely by competition for mandates (and without regard to investors' tastes) were going out

Meanwhile, the Association of International Bond Dealers (AIBD), the secondary market in 1987. body, was busy constructing trading rules to allay investor worries about the unmarketability of bonds launched, and subsequently forgotten, during the issuing boom of 1985 and 1986.

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domestic and foreign bonds.

Since the crash, Eurobond volthing of the past. For instance, if one looks at the for bank issuers, overall level of international. This has meant that borrowers bond issuance, it is clear that the in search of floating rate funds FULL LONDON BRANCH NOW OPEN Norway's Investors' Bank

> A fundamental problem in the A further constraint on the way of boosting overall Eurobond Eurobond market has been the market volume has been interna- conservatism of investors. One tional investors' continued litters result of the rampant issuing vol-over the dollar. It is hard to see ume of a few years ago was that

> US unit in the early part of the US corporations – have often year – which allowed 52 straight found it much cheaper to born to Eurodollar deals to be launched in the domestic market than to in the first quarter - the dollar's coms to Europe. According to overall share of the market was Salomon Brothers, US issuers still near record lows. In that accounted for just under 7 per period, dollar bonds accounted cent of total first quarter issufor just 29 per cent of total volume, well below the market ume, little changed from the share of 20 to 30 per cent they record-low 28 per cent in the last have traditionally held.
>
> A further effect of investor con-

> - has dried up. There has been regarded with suspicion. Apart persistent lack of buying interest from various pseudo-private since FRNs fell prey to a liquidity placements - which incorporate crisis 16 months ago (which "exotic" structures designed to fit

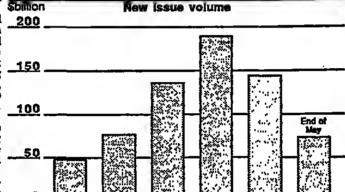
compared with some domestic

capital markets. Someon New-issue volume bounced 200 back in the first quarter, from the depressed levels reached towards the end of 1987, which kept the yearly total down at only \$144bn, to a healthy-looking \$44bn. On an annualised basis, that puts the market on course to Meanwhile, AIBD figures show secondary market turnover at the end of the first quarter standing at about \$1,180bn, roughly the same as in the comparable period

However, though the doomsters may have been precipitate in writing off the Eurobond market, it has undergone traumatic changes that make the market's ebullient confidence of the mid-1980s, for the moment at least, a partly arose from an over-supply

Eurobond market's share of the have achieved them by the indi-558.3bn-raised in the first quarter rect route of issuing in the fixed-has diminished. An indication of rate market, and swapping the this was that Salomon Brothers proceeds. However, the limitaand Goldman. Sachs, both tions of the swap market have extremely active in the US meant that issues have been domestic market during the first smaller in size than the "jumbo" quarter, launched just one Euro-deals once common in the FRN bond apiece in the first three market - where the UK raised

Eurodollar market which in the innovative bonds (whose raison past contributed most to volumes d'etre is to lower the borrowers - the floating rate note market costs of funds) have come to be



of too-aggressively priced deals

\$4bn at one stroke in 1986.

the various currency sectors prother became less and less willing viding the kind of growth rate to buy bonds for marginal names, once seen in the Eurodollar sec- This trend can only have been tor, albeit that they have expanenhanced by the "flight to qualded dramatically over the last ity after the stock market crash.

This has meant that natural

Source: Euromoney Bondware

Despite the steadier tone of the borrowers of fixed rate dollars

Moreover, the section of the servatism has been that so-called

the cash flow needs of, particularly, Far Eastern investors almost all bonds over the last year have been of the "plain vanilla" variety.

Meanwhile, interest rate uncer tainties have meant that investors have become more and more wary of extending their exposure very far along the yield curve For about a year, an increasing number of bonds with maturities of below five years have been appearing, culminating recently in the one-year Eurobond.

That said, it has nevertheless been a notable feature of this year's market that continental investors have again looked at Eurodollar bonds every time the currency has shown signs of stabilising. This is good news for the mar-

ket, because retail European investors tend to be firm holders of bonds. However, some suggest that the placement that so many of this year's bonds are supposed to have found may have been more talked about than real. As well as European retail, new issues have also frequently been bought by semi-professional Middle Eastern accounts, who are notoriously trading-orientated.

But even if new issues houses have managed to issue bonds that are actually saleable, and so prevented them from clogging up underwriters' books, this does not necessarily mean they are making any money out of the This is because borrowers'

cost-of-funds targets have often been achievable only by the addition of highly attractive swaps. To some extent, this has been achieved by sophisticated finan-cial engineering. But just as often, market participants say, it has resulted in what are effectively subsidies of borrowers' costs of funds - bringing into question the market's frequent claim that cut-throat competition between issuing houses is now a thing of the past.

As far as writing cheques goes, the finger of accusation (fairly or unfairly) has often been levelled at the Japanese houses, who managed to gain about 25 per cent of the new dollar issuance in the first quarter — well up on their market share in 1987.

However, the Japanese, at the same time, have been the main providers of profits to the rest of the market, by issuing a constant stream of equity warrants bonds for Japanese companies, most of which have immediately jumped

The revival in these issues this year has meant that, despite the inactive Euroyen market, Japanese securities houses still bestride the upper echelons of the book-runners' league tables. Last month, all four of the main houses featured among the top ten book runners - Nomura in first place with more than 9 per cent of the market. Its nearest rivals, Credit Suisse First Boston and Deutsche Bank, had less than 8 per cent apiece.

### More sophisticated investors are now calling the tune

Though the "Belgian dentist" is still operating...

FOR MANY Eurobond investors, around 70 per cent of all portfo- now obliged to invest at least a 1987 was a year of anxiety and lios, fell dramatically and investrauma. Alternately terrified and tors started to look elsewhere. relieved as reports of the mar- for the first time, at markets ket's imminent collapse proved where the risk was greater but premature, they have emerged into 1988 somewhat shaken but in the vanguard of this flight to

After years of proxy participa- according to syndicate managers, tion, blithely accepting the assur-ances of market professionals, That the Beigian dentist still investors have finally learnt to exists in some numbers is indiexercise their prerogatives: to cated by the comprehensive list pick and choose, or merely to sit of Eurobond prices displayed in on the sidelines. most banks in West Germany,

This new breed of investor the Benelux countries and presents a real challenge to Euro-bond syndicate managers. It is of Eurobond tip sheets available now no longer the borrower, but there. teric character of so many new bond issues seen so far in 1988 would seem to indicate, syndi-increasingly to operate through cates are slowly learning that it is now investors who are calling

the tune.
The last few years have seen the Eurobond investor become more sophisticated, much as the market itself has matured with the parallel burgeoning of interest-rate and currency swaps, options, futures and other wonders of financial engineering.

However, the image of the rela-tively naïve small retail investor, who provided the market's first client base, is a vivid one which persists today. He is the mythical "Belgian dentist", a tax-averse Continental individual of high net worth. In the market's early days, it was largely this type of investor that was attracted by new offsbore securities, which offered a lucrative yield premium over government bond markets and a Luxembourg paying agent, with no further questions asked.

In the heady days of the bull market, this apparent lack of strategy did not appear particularly refers the production of t new offshore securities, which larly naive. Fund managers concede that even the institutions that first dabbled with Euro-

bonds displayed the same unquestioning confidence in committing their funds to virtually any issue on offer. Eurodollar bonds were snapped np and locked away in portfolios; next in line, came the other "hard" currencies - Deutsche Marks and Swiss francs. Bnt as the market developed, it

became apparent that these rudi-mentary strategies would have to alter. The change was eventually precipitated by the US dollar's fall from grace. The dollar's decline began after the Plaza Agreement of 1985, although the the world have faced the same definitive end of its reign as the dilemma - returns have to be supreme Eurobond market cur- assured and maximised, but the rency did not come until early costs of remaining heavily com-

potential gain was also increased, higher couponed currencies,

That the Belgian dentist still

and cajoled. As the rather eso- cial at Kredietbank Luxembourgeoise, the last 18 months has seen these investors elect

> This year's star performer has been the high-yielding **Australian** dollar sector

unit trusts or funds. Although there is a small premium to be paid for the use of this route to the market, the funds at least maintain the tax advantages previously enjoyed, while providing the full range of risk-assessment techniques that are now so vital but, practically, remain available only to market professionals.

It is largely this sea change in or preferences that has propelled the higher couponed cur-

rency sectors to the prominence they have enjoyed so far this year. The Canadian dollar sector has traditionally been the first refuge of the disaffected US dollar investor. However, the even higher yields available in the Australian dollar sector, coupled with an improved perception of Australian economic fundamenstar performer of 1988 so far.

The popularity of European — initially West German, hut increasingly Benelux — borrower names in this sector is a strong indication of the peper's final destination. However, fund managers have detected increasing non-European interest in the higher couponed currencies.

Financial institutions all over mitted to the US dollar have ket in the near future. Issuance of Eurodollar bonds, proved crippling over the last which had once accounted for two years. Fund managers are

portion of their portfolios in the higher yielding bond markets. An official at the London

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branch of a major Japanese house said Japanese institutions were now racing to diversify their fixed-income portfolios. He cited the example of a leading trust bank which had just moved to increase its holding of Austra-lian dollar bonds to over 5-per cent of its total investments level he considered high, given a historic Japanese reluctance to invest in Australia's economy following a series of unhappy expe-

Many fund managers said a the approach of larger institutional investors to the Europond market was their increasing caution and reluctance to commit

themselves for long periods, despite healthy liquidity. "The received wisdom is that we are nearing the end of an interest-rate cycle when real assets are outperforming finan-cial ones, and investors are now only prepared to take an extremely short-term view on the market," said one manager at a

major ÚK-based fund. Investors' new-found caution, which contrasts so markedly with the enthusiasm they exhibited less than two years ago, has profoundly altered the task of syndicate teams who now have their work cut out if they are to bring a borrower to the market with a genuinely popular issue.

Catering for specific investor whims may well go some way towards explaining the succession of extremely novel issues seen so far this year, among them an unprecedented one-year Eurodollar bond. Although the issuers of such deals achieved extremely attractive cost of funds through swap transactions, their advantages for investors were less patent. The bonds appeared to have neither tha yield advantages of a short-term money mar-ket deposit, nor the liquidity of a

longer dated bond issue.

Nevertheless, the lead managers behind the deals said they had identified particular investor demand for the issues. Indeed, with so few investors apparently keen to bite, this might be a wise policy for most syndicates to follow.

However, snch a shift in emphasis can only mean that the primary market will see more and more new issues aimed at specific, and often small, groups of investors - hardly a trend which augurs well for the return of liquidity and depth to the mar-

Dominique Jackson

### Don't throw out the baby

Continued from Page 1 Indeed, the Japanese may hold

the key to tha shape of the international capital markets in years to come. Helped by a powerful currency and sky high price-toearnings ratios, Japanese firms could come to dominate the international capital markets. Never-theless, their ambitions may be constrained by increasing pres-sure for a level playing field in regulation and the cultural clashes they have encountered in setting up operations abroad.

To say these days that the Some markets - such as that in stampede towards the "global Eurocommercial paper - have overdone is only a statement of the last couple of years. the obvious; but, in correcting the excesses of earlier years, it is important to make sure the baby does not go out with the bathwater the bathwater that the international than the i

marketplace" was somewhat shown extraordinary growth in

The Eurobond market, for the example, perhaps faces straitened times, but the capital being rowers the lowest cost of funds, through it would have raised through it would have to ignore the international mar-been unthinkably large even at kets would be no less than a derest the beginning of the decade. liction of duty.



#### **INTERNATIONAL CAPITAL MARKETS 3**

Indeed, Japanese bankers are themselves looking at their own home market to see if they can

pass loan assets on to other

financial institutions, those not subject to capital adequacy

credit banks, for example, are well placed to do this, because

If there has been a hardening of terms in the market for sover-

Noting that the October crash

It added a more specific warn-

ing about multi-option facilities:
"There is, of course, a danger that tightly-priced MOFs will be drawn most heavily when market

Stephen Fidler

Syndicated loans

### The welcoming arms of commercial banks tion - the ability to place assets with final holders. Placing power is the key for many banks' con-tinued interest in the business.

THE MARKET in syndicated loans is back. Its resurgence is one of the most notable, but least noted, developments in the inter-national capital markets over the last 18 months

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Ceraing.

The volume of publicly-announced syndicated credits, as recorded by the Bank of England, jumped to \$88bn in 1987 from almost \$30bn in 1986 and \$19bn in

The early 1980s had been years of severe decline. Unprecedented inflation-adjusted interest rates had worsened the troubles of the traditional big borrowers in the syndicated loans market - in Latin America, Africa and Eastern Europe - and forced wide-spread reschedulings.

When interest rates began to decline, the bond market took many of the best borrowers away growing floating rate note mar-ket took still more.

This trend towards raising money through the securities market appeared to be pushing commercial banks to the sidelines of the financial markets. But, in many ways, this apparent trend was exaggerated: banks were indeed still the final owners of many securities, particularly those issued by borrowers of lower credit standin

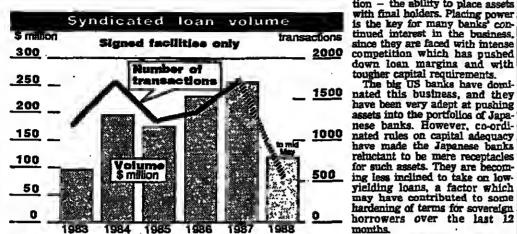
wer credit standings. Thus, in the note issuance facilities and similar financings, in commercial paper and in the floating rate notes that replaced syndicated loans, the final holders of much of the paper was still

themselves hit upon rocky times, the banks were ready to move in to fill the gap. The troubles in the floating rate note market, losses suffered by securities firms in evidence. trading some of the securities

Furthermore, the credit market
they had created and possibly did has taken over some of the innenot fully understand, and then vation that was characteristic of the stock market collapse of the securities markets. Such new October, all pushed corporate financial products as currency borrowers into the welcoming and interest rate swaps began to arms of the banks, as alternative be built into loans.

availability depends neither on a commercial paper programmes.

والمراب والمرافقين وهما والمراب والارجولي والمراب والمواضية



sums of money can be raised. Maturity, amortisation schedules and the structure of the credits paper. can be very flexible. Loan docuecurities offering.
Nobody would claim, however,

that the revived syndicated loans market bears much resemblance to its earlier incarnation.

In recent years, borrowers for the countries of the Organisation for Economic Co-operation and Development have accounted for the lion's share of all new credits: When the securities markets the figure was 85 per cent of syndicated lending in 1987. The big borrowers of the 1970s in the developing world and in Eastern

sources of finance dried up or On top of that, a large number of new credits have been in the Some of the loan market's form of standby arrangements, attributes became more apparent often in the form of what is and important in 1987. As Mr called a multiple option facility. Rüdiger von Eisenhart-Rothe, Such MOFs are used to replace or managing director at Chase add to existing lines of credit, or Investment Bank, points out: its to act as back-up financings for

since they are faced with intense competition which has pushed down loan margins and with tougher capital requirements.

The big US banks have dominated this business, and they have been very adept at pushing assets into the portfolios of Japanese banks. However, co-ordi-nated rules on capital adequacy have made the Japanese banks

Source: Euromoney Capital Markets Guide / Suromoney Loanware

positive ontlook for currencies As their name implies, they pro-nor for interest rates. Very large vide the borrower with a number of financing options, often including the issuance of commercial

The Bank of England has mentation requirements are far suggested that these facilities they have been placing their own less right than is possible for any —as bank back-ups to securities bonds for years. issues - may be evidence of only a partial shift of the locus of intermediation back to bank-

> In fact, the distinctions, once marked, between the bond and loans markets are hlurring. Says there is a still a feeling — divestitures, companies can Mr Eisenhart-Rothe: "The loan expressed most recently by the and bond husinesses have Bank of England in its latest advice without alerting the world hecome very much closer Quarterly Bulletin — that there together over the last few years is inadequate credit differentiations, fees are inevitable and provided in the credits market.

The secondary distribution of had little impact on pricing in credits — an estimated \$50hm the market, the Bank observed market in 1987, according to that strong competition "had Chase, which claims a quarter of resulted — in contrast to the the market for itself — is part of bond market — in very low this trend. So is the growing spreads over Libor, suggesting practice of issuing bonds which are incorporated with a currency and interface."

It added a more specific warnor interest rate swap, and thereby converted into a floating rate instruments and placed with banks. Mr Risenhart-Rothe says that, on occasion, such assetswapped bond issues, which can liquidity is tight, and at a time end up with the borrowers' lending banks, have put upward pres-

ing banks, have put upward pres-sure on loan margins. There is a focus, too, in both markets these days on distribuPeter Parker looks at the growth of cross-border mergers

### Global muscles are flexed

CROSS-BORDER M&A has involving American companies. G Warhurg, advised a US com-pany, Fluor, on the \$500m sale of Thus, in the first quarter of its St Joe gold division, and this year, First Boston advised in found a willing buyer — in Aus-5 transactions worth some found a willing buyer - in Aus-

The more companies believe in concentrating on core activities and disposing of peripheral mes, the more work financial advisers will gain running auctions, find-ing white knights and persuading companies to divest parts of their

Add to that the emergence of the Japanese as significant buy-ers overseas, the high level of cross-border M&A in Europe, and the current profitability of financial advice, particularly when set against difficult conditions in other investment banking departments, and one can see why com-mercial, merchant and investment banks are scrambling to demonstrate their global reach.
Again, theory suggests that

integrated investment banks should gain fees both from acting as a financial adviser and from arranging the funding. In prac-tice, this is not always so, partic-ularly among sophisticated cus-tomers. When BP bought out the remaining shares in Standard Oil, it chose Goldman Sachs to be eign credits, there is also some its financial adviser and J P Mor-

gan to organise a \$5bn bank credit facility. Since, with the exception of nce of at least a flattening out of the terms on loans to corporate borrowers. Nevertheless, than just price. For some deals that is true for the financing. Mr Richard Kelly, managing

director and head of M&A at First Boston in London, says: "For a plain vanilla financing, the costs to the issuer have come down as margins for the intermediary have been sharply reduced. However, an area which remains quite remunerative is in structuring and arranging funding for complex financing, such as highly leveraged deals where significant bridge financing is required and where only those

become the newest game in town. Mr Kelly says: "Advising British Every merchant or investment and continental companies on bank is keen to show its prowess: their US acquisitions has given last year a UK merchant bank, S US banks an opportunity to inter-

The theory is simple: global international dimension, most of industries need global advisers, them a US or Canadian one. them a US or Canadian one.

However, First Boston also advised CIR, De Benedetti's bolding company, on the sale of its Buttoni food operations to Nestle for \$1.3bn. In Spain it advised Banco de Vizcaya on its \$3.30n merger with Banco de Bilhao, which was advised by Salomon

Brothers, both about the merger and about its earlier unsuccessful bid for Banesto, advised by Goldman Sachs. Bankers identify two main

cross-border markets - the fron-tier world of continental Europe and the mature market of Amer-

The chean dollar and the fear of them did not retain a professor protectionist sentiment in the US may explain this surge of takeovers; but even if the US 37 per cent complained about the market were closed off to foreign investors, Europe, with its single

they need to merge into larger units if they are to withstand ica. in the US, according to W T units if they are to withstand Grimm & Co's Mergerstat competition from the US, Japan Review, last year 220 US companies were bought up by foreign ners. Third, that post-war genera-

Europe will provide a barely tapped seam of deals for years to come

companies in disclosed deals tion which rebuilt much of worth \$40.4bm. Of these, Britain Europe's shattered economy is accounted for 78, worth \$23.5bm, approaching retirement age, and other European countries for Many owner-founders face the 88, worth \$6.4bn.

This is an under-estimate, as be the UK corporate finance adviser J P Mervis has identified 314 US companies acquired by UK companies last year at a cost of around \$29.4bm, or \$26.3bn when 1982 to \$15bn in 1984, reaching

\$24.5bn in 1986. Since then, the buying spree has continued in the first quar-ter of 1988 FT Mergers and Acquions identified 34 bids made by Enropean companies for US ones, including Hoffman-La Roche's \$4.65bn hid for Sterling Drug and Hachette's \$415m bid for Groller. In the same period British com-panies made bids for 72 US companies, while US and European

prospect of selling up, either because they lack an heir or a suitable heir, or because they need additional funds to expand.

Authoritative and timely figures for Europe are not available. divestments made as part of an and details of many deals are acquisition are taken into scanty. Frequently, the identity account. But the actual figure is of the financial adviser is confiless important than the trend, dential, as well as the acquisition and according to Grimm the price. However, in the last three months FT Mergers and Acquisi-tions has published details of more than 350 bids and deals (including partial stakes) on the Continent, Of these, about 45 per cent were cross-border, 14 per cent of all continental hid activity coming from Britain and 4 per large number of mergers and cent from the US.

A large market is one thing: profiting from it, another. In the US and Britain, the role of the financial adviser is well under-

Drug, were unsuccessful, though, deal activity in Germany in 1985. on these, financial advisers will The organisation conducted a survey of 52 owners who sold their German companies. A third

quality.
On the face of it, the market market by 1992, promises to provide a rich and barely tapped are considerable obstacles. A seam of deals for years to come. cross-border M&A capability is immeasurably strengthened by a immeasurably strengthened by a strong domestic franchise in each of which pre-supposes that the Continent's widespread antipathy to hostile bids will change. The first is that most large European companies have accepted the philosophy that they should buy and sell businesses to reflect their strong domestic franchise in each of the countries concerned. In the continent's widespread antipathy to hostile bids will change. The first is that most large European enhanced (and its profits increased) by the presence of its affiliate Wertheim Schroder. sell businesses to reflect their core activities.

Second, European companies in industrial sectors as diverse as in modustrial sectors as diverse as Marthalm Schroder found the insurance and engineering feel Werthelm Schroder found the seller and Schroders the buyer.

Europe, by contrast, presents banks with the problem of how to prepare to meet the expected trained staff, and without build-ing up excess overheads before that market materialises. Some. like Hambros and Hill Samuel, are each seeking to establish relationships with M&A practitioners in other European countries, thus developing a pan-European network. The results of this approach in the shape of completed transactions have so far

Their rivals are going it alone, with many merchant and investment banks tending to service their continental M&A clients from London, while commercial banks such as Chase or J P Morgan, have perhaps half their M&A advisers in London and the balance in local offices in Europe. It is too early to predict the winners and losers in this market. But Mr Harry Roundell, J P Morgan's senior vice president responsible for M&A in London, puts down a bold marker for the

"Most statistics show that a some studies putting the failure rate as high as 70 per cent," he says. "We are committed to improving long term shareholder wealth, and intend to reverse intimately acquainted with the acquisition can properly assess the risks involved."

Inevitably, US houses dominate Inevitably, US houses dominate the market for acquisitions man-La Rocbe's for Sterling involved in about 10 per cent of information

Wealth, and intend to reverse stood and appreciated. Not so on that proportion."

The author is Editor, FT Mergers ness Publications estimate that proportion. The author is Editor, FT Mergers ness Publications estimate that proportion. The author is Editor, FT Mergers ness Publications estimate that proportion.

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IF THERE were any lingering doubts about the permanence or usefulness of the market in Eurocommercial paper, they should have been answered now. Amid the turmoil of 1987, the market moved from strength to strength, doubling in size over the year.

The growth continued, if at a somewhat slower pace, in the first part of 1988. More than 600 programmes bave been put in place, and at the end of April an estimated \$61hn in abort-term Europaper was outstanding, of which some \$18bn was placed through bank tender panels.

This represents growth of about 17% per cent since the beginning of the year, achieved in an environment of mostly rising interest rates and a steepeuing of the vield curve.

That is not to say that the market is problem-free. Many US issuers still find it compares poorly in cost terms with the US market, at least in the maturities in which they are comfortable

issuing paper. It is still also a market where dealers find it difficult to make money. However, as it grows in existing programmes as from size there have been an increasing number of examples of firms That has already happened to

The market has made a great leap forward toward maturity in an average 50 per cent, from 35 the last 18 months. A number of per cent in August 1987, which trends may offer a guide to its implies that quite a few pro-future development. implies that quite a few pro-grammes will be raised in size in

The rate of announcement of the near future. new programmes will continue to There will be a further concenslow. Further growth in the mar-tration of dealerships in the ket can be expected to come as hands of firms with large placing

WITH ECONOMIC growth high, inflation low, and the stock market at record levels, it is easy to see why a sense of optimism perrades Marunouchi, the heart of Tokyo's financial community,

While the October crash in equities severely hurt companies in New York and London, Its main effect on Tokyo has been to increase the relative strength of Japanese financial companies in

Securities companies elsewhere bave laid off staff and made beavy provisions for trading losses. But the four leading Japaoese brokers - Nomura, Daiwa, Nikko and Yamaichi - suffered falls in pre-tax profits of only 30 ent market from New York. March, and are predicting an that the underlying reason for a huge amount of money is saved the financial markets' health is in the first place.

ne strength of the country's Institutions and private inves-tors alike put relatively little of But beyond this faith in the this money into the stock mar-But beyond this tann in according to the series of the ser

the strength of the country's

Stephen Fidler on Eurocommercial paper

### **Great leap forward**

ble style.

# A slight shift in the balance of

market power from issuers and

towards the intermediaries and

investors means that the returns

to dealers for placing paper may

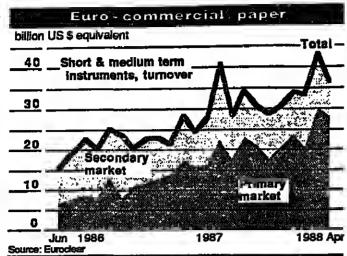
well increase. The once common "turn" on placement of 1 basis point or less is becoming rarer,

as dealers push for higher fees.

The market will only gradually

move away from the use of inter-bank interest rates - Libor,

Limean and Libid - as a yard-



turning down programmes which they thought unlikely to be profitable. Others now insist that they will act as dealers only if they receive a required return, say of 5 basis points.

The market has made use of programmes has risen to

much from the expanded use of power. This trend is easy to exag-

gerate, but Morgan's figures suggest that each of the top five houses participates in 20 to 25 per cent of all announced programmes, whereas the next seven to 10 houses can claim only a 5-7 per cent participation. It esti-mates that the top seven dealers place 75 per cent of all paper. the development of an over-

stick. This is partly because of the role banks continue to play as investors, particularly in the paper of lower quality credits. They are not going to be large investors in paper that yields less than their cost of funds. ■ The market in top-quality sov-Several factors militate against ereign Eurocommercial paper has been established as a useful wbelming US-style market concentration. Many banks believe that they should be in the market higher-yielding alternative to US for reasons other than profit, such as cementing customar rela-tionships or, in the case of US for dollar-denominated funds. It banks, as a proving ground for their domestic operations.

intervention in support of the dollar is less significant.

■ Uncertainty about currency values seems destined to ensure that hedged commercial paper in which US dollar paper is linked to a forward foreign exchange contract, to provide a non-US dollar asset - remains a key sector of the market.

terms of both horrowers and investors, and there is still room Nevertheless, it is true that as for "niche" dealers. But there are growing signs that some of the main dealers - those largely concerned with volume issuers are turning away borrowers who will not issue in aufficient in another currency sector. amounts or in a sufficiently flexi-

All dealers say these days that its maturity.

market activity and interest rates as interest rates moved down.

The reason is that dealers despite what they may say - do not place all the paper immediately. When interest rates fall Treasury bills by investors such they cannot resist the temptation as central banks seeking a park to profit from taking positions themselves, only feeding out the remains to be seen to what paper later to investors — and extent these investors will registering a secondary market remain with ECP when market trade with the clearing systems.

other commercial paper markets develop, such as that in Euroyen, borrowers will have to watch that their hedged paper does not spoil the market for their paper

they are committed to the firm placement of paper with investors, and the old arguments about the desirability of a second-ary market in ECP have subsided. Bankers, who say that only some 5 per cent of paper comes back into the secondary market were surprised therefore when the New York Federal Reserve Bank concluded late last year that the average holding period for commercial paper was half of

The New York Fed also estab-lished a link between secondary secondary market activity went up, and vice-versa.

International equities

### A trickle of issues

Before the collapse of world stock markets in October, it was running at the speed of an express

many of them, a highly profitable business and a key element of their international strategy, particularly in view of the difficulties of the Eurobond market.

According to figures from Euromoney Equityware, there were 56 cross-border share issues of all types in 1985, raising \$3.69bn. In 1986, there were 149 issues totalling \$11.55bn, and in 1987 there were 248 issues total-ling \$20.2bn. Yet in the first five months of 1988, 57 issues raised a mere \$1.97bn. The market suffered a double

blow. Not only were investors shunning equities, but amid the international market turmoil they were retreating to what they saw as the reletive safety of their

The evidence so far backs up the assertion that this retreat by investors was a temporary one. The Securities Industry Associa-tion of the United States said in a

"Although all international investors retreated to home markets in the fourth quarter, we

The ministry's move followed

discreet lobbying from the finan-cial community. But in general it

is difficult to be precise about how co-ordination works. Even

though the Tokyo financial mar-

kets are being liberalised, the ministry retains great power.

even mainly, a matter of the car-rot and the stick. The ministry'a

ability to influence rests on the

fact that power in the Tokyo financial community is highly

concentrated. There are just four

blg stockbrokers, seven hig trust

banks and five large life assur-

erence among Japanese institu-

tions for consensus. It is easy to

exaggerate the extent to which

this is uniquely Japanese. There

are conflicts of interest within the Tokyo financial community.

Nevertheless, whatever the pri-

vate arguments, efforts to co-ordi-

nate action in the stock market meet little public criticism.

In the long term, Japanese

economists say that no one can

defy gravity. But they add that

Beyond this, there is the pref-

ance companies

However, it is not merely, or

It concluded that the portfolios train. After that one short week, it was at a dead stop.

It was at a dead stop. weight in foreign stocks, com-From the perspective of the pared with their countarparts City of London - the centre of overseas. US pension funds had the market in international share only 4 per cent of their total issues – it was a depressing assets invested globally, while story. Securities houses had staffed up to handle what was, for 10 per cent and for British funds

> seek investment opportunities overseas. Moreover, the shifting of worldwide income and wealth that has led to a less dominant position for the US - the US had 47 per cent of world GNP and 39 time-const per cent in 1986 – will serve to prod international portfolio diver-year ago. sification "

Underlining this diversification was the strong performance of the Japanese markets during and after the crash. The only large market to aurpass in 1988 the record highs of 1987, Tokyo has surprised most foreign investors, who had spent 1986 and 1987 shedding Japanese equities, and underlined the importance of a diversified international portfo-lio. Because they were underweight in Japanese equity, most international fund managers underperformed the world stock market indices. This year, forsigners have become once more net buyers of Japanese shares.

Although institutional investors are making renewed forays into foreign markets, their approach is more cautious than before. Conscious that, before the crash, many were over-invested in markets that were ill-equipped to cope with big orders, they have placed more emphasis on market depth and liquidity. Buying is likely to be concentrated in established, less speculative stocks, although there is evi-dence that some foreign buying in Japan has been concentrated of the big widely traded issues.

ket has not so much been a lack of interested investors, although it is undoubtedly far more difficult to arrange a new share placement than a year ago, but the difficulties in persuading potential issners to go ahead. This is despite the fact that curtent share prices are close levels seen earlier last year, when comother to issue shares.

In a way, the corporata sector in the US. UK and certain other

THE INTERNATIONAL equity view this as only a temporary ent view: that share markets are market is still in a state of shock. setback in the process of internanies. In this way, their view contrasts with most retail and institutional investors. So the hig buyers in many of these markets have been companies. Rather than selling their own shares, they have been huying them, where it is allowed. In a postcrash takeover boom, they have also been buying up the shares of other companies.

This indicates that US portfolio managers will continue to seek investment opportunities

Yet a trickle of new international equity issues has begun to smerge in 1988. Of course, the extent to which this will continue or grow depends on the general health of the world's stock mar-kets. The issuance of interna-tional equity is a complicated, time-consuming process and it is more difficult now than it was a

This has highlighted its contrast with the international bond market. Although the Euro-eq-uity market took over much of the Eurobond market's distribution mechanism, the former is much more intensive. "It's like comparing a Savile Row suit to one off the peg from Marks & Spanson " said one marks & Spencers," said ona practitioner.

In part, this reflects the greater importance assigned by compa-nies themselves to the issuance of equity over that of debt. A poor bond issue is of far less consequence than a bad equity issue, partly because of the effect a poor share issue can have on the secondary market. Firms arranging an offering must drum up an excess of demand among investors to ensure that the abares perform well, and this places a beightened importance on the ability to place equity initially into firm hands. By contrast, the primary stage of an offering for Eurobonds often achieves only minimal distribution with investors, but it is less critical when such bonds perform hadly,

...

Burth and

投入

The \$415m rights Issue arranged in May for Norsk Hydro iliustrates just how complicated on amaller firms without the an international share offering high price-to-earnings multiples can be, but also shows that domestic market procedures can, Nevertheless, the problem for the international markets, the international new issues mar. Goldman Sachs arranged the issue, which was made to accord with the regulations of exchanges tries, including the US.

Not all securities firms are well equipped to deal with this new harsher environment. Those with ute shares to investment institutions (and there are perhaps only half a dozen or so of them) have been able to grab a bigger share of a much smaller cake.

Stephen Fidler

Stefan Wagstyl offers an explanation

### Tokyo: odd man out

tive trading rules, the over-tica known as Znitech. After whelming dominance of the Big Tateho Chemical Industries, an Four brokers, which puts them in Osaka company, had been virtua strong position to influence ally made bankrupt by losses in stock prices; and a regulatory bond futures this summer, there authority (the Ministry of were fears of a similar disaster in Finance) which intervenes to help the market out in times of mainly because Zaltech investors trouble. Taken together, these factors make Tokyo a very differ-

The legendary Japanese savings ratio – now just under improvement for the second half. 20 per cent of income for the Japanese economists stress average individual - means that

equities. But it has not happened, concentrated primarily on the money and bond markets. So, in the aftermath of the

crash, Japanese investors stood firm while foreigners rushed to sell. Since January the foreigners have steadily returned to the market, though they now account for less than 4 per cent of its capitalisation.

times of crisis. Alone among major equity markets, Tokyo has limits on the movement of individual shares which restrict maximum daily swing in the index to about 15 per cent. horrified by suggestions that concerted action by big broking comespecially resilient. These are: a investors - using surplus cash high level of liquidity; conserva- and borrowed money in a prac-

As elsewhere, credit plays a central role in the market. But this does not seem to put the stockbrokere financee under strain, mainly because the Big Four broking companies bave balance sheets as big as many large banks. Most of the remaining Tokyo Stock Exchange members have links with the four or with other financial institutions.

Moreover, Japanase brokers take fewer risks than their US or UK rivals, because they do less market-making. They are pre-veuted by stock exchange regulations from taking large amounts of stock on their own books, and so have to match huyers and sell-Tha Japanese stock exchanges' so have to match huyers rules tend to make for stability in ers as much as possible.

Since the Tokyo stock market is tha foundation of the Big Four's fortunes, they look after it well. Japanese stockbrokers are

panies amounts to manipulation. The Finance Ministry, meanwhile, believes its duty lies in making sure that the stock market - indeed, all financial markets - serve the economy as a whole. As a result, co-ordinated efforts to try to influence the course of the equity market are

Sometimes It is the financial companies that take the initia-- led by the Big Four hrokers. At other times, it is the ministry which moves first. On Black Tuesday, October 21,

when the Tokyo market fell by a record 3,836 points, the ministry acted swiftly - calling traders of the four brokers together. After the meeting, the four securities companies bravely bought shares, reviving a market which had been paralysed by a virtual absence of huyers.

Again, on the first trading day this year, the Finance Ministry, dismayed by the fall in the mar-ket in the last days of December and the decline in the dollar, abruptly announced a change in the rules governing tokkin the last few months have shown (luvestment) funds. Equities that intervention has helped to immediately staged their second smooth Tokyo's course through

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IT SEEMS that A Day on April 29, when most of the provisions of the UK's Financial Services Act 1986 came into force, was no more than a minor milestone in the long march of securities mar-ket regulation in Britain. Originally it was marked as the

day when the UK's new permanext framework would come into operation. But the international complications are now becoming clear as the British regulators get to grips with proposed European Community rules, and seek also to establish links with regulatory bodies in the US and Japan.

In some important ways the Eurobond market escaped the full force of the FSA, because of rate Eurobond body which merged into the Stock Exchange. Isro threatened that exces-

sively tough rules would lead to the mass emigration of Eurobond housea to places like Luxembourg. As a result, practices such as stabilisation of new issues, which had faced a ban, were largely left alone.
The Zurich-based Association

of International Bond Dealers (AIBD) has been designated as an overseas stock exchange, even though much of its members' business is carried out in Lonmatching system, which will enable it to carry out investiga-

All the same, regulation is hiting, notably in the area of finan-cial controls, where investment firms operating in the UK have to comply with stringent rules determining the capital with which they must back their risk

than a codification of the systems responsibility of regulators in the which well-run securities houses home country, while the host should have implemented any country will look after position to reorganise their systems so as of business. to produce data in the required standardised form. And not all of scope for jealousy if come EC them might otherwise have member countries are seen to be

With the basic UK structure lation is tougher than most, Lonnow implemented, the debate is don could suffer if securities moving on to an international houses based elsewhere in the plane. To begin with, the Euro-community gain competitive pean Commission in Brussels is advantage busily developing new integrated

another on securities firms is its rule-book in many respects, being drawn up. The idea is to while the Trade Secretary has centrated on the development of being drawn up. The idea is to while the Trade Secretary has develop a level playing field so wide powers to amend the stat- a variety of bilateral understand-

Regulation

### **Reciprocity worries London**

equal terms. But there is considered for at least two years, tant aspects of the proposals.

A recent response by the Stock
Exchange in London has been to set up a Europe 1992 Working Committee, headed by Mr Stephen Raven, with the sim of making sure that the voice of the could be damaged by any ten-

ing sure that the voice of the London market is heard loudly. Basic questions of supervisory inward looking, and aimed as jurisdiction must be answered. much at keeping non-EC competition on the pattern of regulation in the Community is far from uniform, with responsibility variously in the hands of central banks, finance ministries and securities commissions. This may need to be rationalised in some way. There is also the home-and-away problem. Should an institu-

There is scope for Jealousy If some EC countries are more lenient than others

tion operating in a foreign coun-

tions into dealings, is not yet in try he supervised hy its home regulator or by a body in the host country? The principle is that bome-country control should be paramount, but it will not be practicable for the home regula-tor to monitor all foreign transactions closely.

The suggestion therefore is that basic questions of fitness The regulators argue that the and properness and capital ade-financial rules are little more quacy will continue to be the way. But all the firms have had risk and some aspects of conduct

But naturally there is plenty of the extent that the new UK legis-So there is considerable pres-

regulations for financial institu-tions within the European Com-munity, leading up to the cre-ation of a free internal market for as possible. A good deal of flexifinancial services in 1992.

A Banking Co-ordination Directive has been published, and investments Board able to modify

mity, with commercial ambitions which go far beyond Europe, it could be damaged by any tendency for the 1992 proposals to be

inward-looking, and aimed as nal market.
Thus London is worried about the reciprocity provisions in the banking directive. These are not specific but are clearly aimed, in the first instance at least, at the Japanese. The idea is that unless a foreign country opens up Its own markets its institutions

should not be granted normal

access to the markets of the EC.

This may make admirable sense for many financial centres in Europe which have mainly domestic priorities, but for Lon-don it is different. The City's global market objectives override narrow concerns of reciprocity.

All the same, the recent last minute blocking of the entry of the Japanese securities houses Nomura and Daiwa to the ranks of gilt-edged market makers in London, because of the row about the exclusion of two British broking firms from the Tokyo Stock Exchange, shows that the reci-procity issue is controversial even within the UK. The British

don do not necessarily see eye to eye on the matter. The Japanese reciprocity issue is only one aspect of the broader question of global regulation. fited from the more bureaucratic regulation of the American and Japanese markets. US and Japathought it necessary to commit more lenient than others. And to ness banks are free to develop capital on the scale required.

the extent that the new UK legis securities businesses in London in a way that they are not in their bome countries, because of the separation of banking and securities trading under the Glass-Steagall Act and Article 65

Government and the City of Lon-

of the Japanesa Securities Exchange law. But now there is concern that international business might drift off elsewhere, and that serious problems could develop if the regulatory authorities cannot fol-low the globalisation route Committee of banking regulators management and prudential

that all Community financial utes. However, fundamental ings, such as on the exchange of institutions can compete on changes would require new legisterus. But there is considered for at least two years, erable controversy about important times. However, fundamental ings, such as on the exchange of the credit markets. Information. But this is not enough, and accordingly there is considered for at least two years. ation designed to do for the secu-rities markets what the Cooke playing field in terms of risk

PRICE WATERHOUSE

reserving. A lot of work is also ueeded in the area of linka between markets, where great obstacles are produced by differences in systems and regulations. The fear, in the wake of last October's crash, is that, if the glohal market continues to

develop faster than the regulators can adapt, the result could be a financial disaster which could set the international securities business back many years.

**Barry Riley** 

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#### **INTERNATIONAL CAPITAL MARKETS 5**

IN THE space of six years, swaps have become an established part of the international capital markets. From the early days of one-oif deals conducted between innovative institutions, the swaps market has developed into a substantial liquid worldwide activstantial, liquid worldwide activ-

A curvey conducted for the International Swap Dealers Association (Isda) found that, in the first half of 1987, the nominal principal involved in interest-rate and currency swaps was a mas

That is a rather inflated figure, because it is not the principal but the payment flows that are important. But the growth of the market is well illustrated by the fact that the equivalent total for the whole of 1983 was just \$30n. Many complex articles have

been written about swaps, but the underlying idea is quite simple. Two institutions, receiving or paying interest income, agree to exchange payments or

For example, Company A may have borrowed in yen at a floating rate, and Company B may have borrowed in dollars at a fixed rate. B now agrees to meet A'e interest payments and vice

The motives for the transaction can vary. Company B may believe that both the yen and Japanese interest rates are set to fall. Company A may believe the

Amazingly complex deals can be constructed around this basic idea. In late 1986, Kleinwort Benson arranged a swap programme for the UK Export Credits Guarantee Department which involved 47 different transactions worth a total of £2hn.

Swape are now arranged involving zero conpon bonds, commercial paper, exotic currencies, even commodities. Hybrid instruments, such as the swap-

THE LAST annual economic out

look by Mr Henry Kaufman, Salo-

mon Brothers' erstwhile bonds

guru who moved on to fresh pas-tures at the end of last Novem-

ber, started with this paragraph: "The element of crisis that per-

vaded world financial markets in

October 1987 threatens to re-

emerge in the coming year. Fol-lowing a brief period of sluggish-

ness, a brisk revival in US eco-

nomic activity will tighten

recource availability and heighten both inflation fears and

actual inflation. In addition, it is

unlikely that the major industrial nations will be able to fashion

policies with enough flexibility to

reduce structural trade and pay-

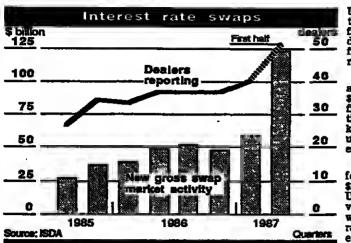
dence on foreign sources of funds

will therefore not be amelio-

ments imbalances. US depen

Complex swap deals

### Just a simple idea...



undergo e swap at a future date. In the Euromarket, most bonds issued in unusual currencies like the Australian dollar or New Zealand dollar are destined to be swapped. A foreign corporation which is perceived as a good credit risk will issue the bond, and then find a local borrower who wants the currency concerned. A swap is arranged into the currency of the bond issuer's choice; both the local borrower

and the bond issuer should end up with cheaper funds than if they had borrowed separately.
The other way in which swaps are used in the Eurobond market is the so-called "asset swaps". far the most common swap is an rency ewaps market - \$43bn in These involve investors passing exchange of interest payments in the first half of 1988. Currency

which give the buyer the right to bond to a counterparty in undergo e swap at a future date. exchange for income in a different form.

Guaranty asset swap last year - it created two issues named Stars and Stripes, which were essentially a repackaged Deutsche Mark floating-rate note issue from Denmark. Swaps were arranged so that the new issues were offered not in Deutsche Marks, but in dollars and sterling

respectively.

But although major deals like the Stars and Stripes deal receive most attention, the Isda survey shows that the typical swaps deal

tions and institutions switch from floating to fixed-rate debt depending on their view of the future movement of interest

US dollar interest-rate swaps accounted for \$139bn of the \$227bn of swaps in last year's first half. Such is the sophistication and the liquidty of the market that corporations can now use swaps as a routine tool of

When Grand Metropolitan, the food and drinks group, paid \$1.4bn last year for Heubletz, the US-based producer of Smirnoff vodka, it was euddenly faced with a large dollop of floating-rate debt on its balance sheet and Source: ISDA

Cuerters

e consequent exposure to a rise
in interest rates. By arranging a

tion, have been constructed, on the income stream from a swaps panel of 25 banks, Grand Met was able to fix the rate on \$750m of the Heublein debt. The alance of the group's debt portfolio had been restored.

> The Grand Met deal illustrates the fact that corporate treasurers are now as sophisticated as investment bankers in their understanding of the swaps markst. That means there are few easy profits for bankers in the market. The so-called "plain vanilla" deals are intensely cometitive; the potential for profits in the more complex deals is

Isda recently produced the first is a more basic transaction. By assessment of the size of the cur-

swaps obviously carry a higher level of risk than a simple inter-est-rate swap, because the counterparties are exposed to both exchange and interest-rate movements. Conversely, if both sets of rates move favourably, there is an increased potential for profit.

In the early days of the swaps market, most interest rate deals were conducted in US dollars; but the markets in other currencies - sterling, Deutsche Marks, yen - have gradually increased in liquidity, particularly as more banks have become involved.

Liquidity reduces the risks involved in a swaps deal. Essentially, that risk is composed of exchange rates will move, or that

Obviously, if someone agreed to swap from paying 10 per cent fixed to paying floating-rate, and then interest rates went to 20 per cent, that would be an expensive deal. Banks cope with the problem by running a swaps "book" in which they match up swaps, so that their overall exposure to interest or exchange rate movements is limited.

default are also largely a function of economic movements. If one party fails to meet its obligations. then the other will be faced with servicing its original debt, which will only be a problem if nge or interest rates have moved unfavourably since the

It is such risks that hanking authorities and swap dealers are currently debating as the regulators seek to impose capital ade quacy requirements on off-balance sheet instruments like

Philip Coggan

ket, compared with \$6.7bn (23.8 underwritings fell to 42.9 per cent per cent) in the first quarter of in the first quarter of this year. 1987. In 1987 as a whole, new Two years ago, Drexel had 60 per

current economic expansion vastly increased activity by forcould start to dampen the mood eign central banks which
again, acquisition fever seems set
to continue. Drexel expects
growth in demand for junk bonds lars bought in an attempt to prop
from European and Asian invesup the US dollar. Their buying, at tors, who see them as a way of financing acquisitions in the US. extension of international co-op-The prospect of increased inter-eration than simply investment. national demand for high-yield

financings is just one interesting trend. Another is the increased commitment by major investment banks to this sector, and the gradual erosion of the monopham Lambert, which invented

junk bonds. Its share of new

**Dominique Jackson** on swaps and Eurobonds

### Attractive rates

THE SYMBIOTIC relationship between the primary Eurobond market and the swaps market has matured rapidly over the last two years. Indeed, in 1987, the possibilities available through the use of both interest-rate and currency swaps determined to a large extent the currency and coupon on many new issues.

Tracking the development of the swaps market is no easier, however. Houses which run e serious swaps book are loath to reveal the details of successful transactions. But indications are that the volume of swaps rose last year, despite growing concern about credit risks

The close relationship between the two markets was shown clearly when the character of the swans market changed exactly in line with the adjustments seen in the primary Eurobond market. The amount of US dollar fixed rate/floating rate swaps, which used to constitute the main area of activity, declined in tandem with the value of the dollar and the subsequent drastic drop in the issuance of dollar-denominated bonds and of new conven-tional floating rate notes.

Swap business involving other currencies increased, with tha number of deals in Deutsche Marks and yen rising considera-bly. Many Canadian dollar deals were part of swap transactions, while the bulk of new Australian and New Zealand dollar issues originated from currency swaps. Sterling deals, Ecu and Swiss franc issues also saw more swap links than ever before.

issues fell by 20 per cent to \$36bn cent of the new issues market. In the US Treasury bond mar-While higher interest rates and ket, one of the most fascinating worries about the durability of features of last year was the times, seemed more like an

It will be interesting to see whether central bank or official participation in the DS Treasury bond market remains a feature in 1988. Given the weakness of broader retail demand for bonds, oly been enjoyed by Drexel Burn- central bank buying has taken on

changed lately as a result of investors' concerns about liquidity and credit risk since the latter half of last year. Increasing risk-aversion of swap participants has meant a sharp decline in liquid-ity in the longer maturities, with new deals concentrated in matu-ities up to five years. rities up to five years.

The rapid development of swaps has had e huge impact on the Eurobond market, the most obvious benefits being for the borrowers themselves. For the majority of issuers, the ewap transaction determines their ity of the lead manager to effect the desired swap is often the key to the borrower's decision when awarding its mandate.

With the techniques and possi-bilities now available, the cost of funds can turn out attractively low. For example, when swap rates are attractive, even a moderately popular borrower tapping the Australian dollar sector can achieve rates of 50 basis points (hundredths of a percentage point) below the London Interbank Offered Rate, and some times even better.

Lamentably, when the swap opportunities, or windowe, do appear, borrowers, unable to resist the attractive potential rates, and syndicate managers, just as unwilling to see a potential mandate fall through, rush to launch new issues, resulting in a log-jam of new paper which then takes weeks to digest.

This stop-start cycle is endemic in the Australian dollar sector, out has been seen frequently so far this year in both the Euros terling and Ecu bond sectors, so that many otherwise well-priced and well-managed issues either sink without trace of fare rather worse than might be expected in

normal market conditions. The growth of swaps has also prought with it the spectacle of the most unlikely borrowers tap-ping surprising sectors, and has made its mark on the league its mark on the league tables for underwriting and leadmanaging of issues, making an efficient swaps team any house's most highly prized asset. Banks with little or no track

record in currencies outside the dollar and their own are now able to win incrative mandates from borrowers that they would

Houses previously confined effectively to targetting investors

in their home geographical base have now spread their tentacles by arranging issues in almost every other currency and reach-ing a broader range of investors. Thue the current predomi-

nance of the potential swap over the other characteristics of the new issue has exploded several-long-established Eurobond maxket wisdoms - such as that an Australian bank, for example, is the best house to lead an issue in Australian dollars. Logic may not these days, the swap will not. On the one hand, these changes were welcome. Syndicate teams have finally been spared the need to think up intricate, and not always entirely success-ful, twists and turns to conventional issues in order to impress both borrower and investor. For many houses, the growth of swaps has opened up markets which seemed inaccessible or to which entry has always appeared prohibitively costly.

As swap techniques are refined, the superficial aspect of the primary market is one of smoother capital flows, with important bridges being built between once separate regions, assisting market globalisation.

However, many market analysts argue that the emphasis on the financial engineering behind the scenes of a new-issue launch is severely distorting the primary market. Some say that borrowers can no longer see farther than the mouth-watering cost-of-funds achieved through the swap transaction and award mandates without seriously considering the placement ability of the honse which has come up with the most tempting proposal.

Many syndicates appear to have taken a similar attitude — if a deal is for a half-decent name at a half-decent price, then some will buy it eventually.

However, in the scramble for mandates since increased competition has pared margins and forced some houses out of business, it is more difficult for lead managers cynically to price and launch an issue into an increas ingly selective market, particularly without supporting the deal. Stabilisation practices are under review, as part of the Eurobond market's attempts to fit in with the UK's new securities laws. If a tighter code of practice for the primary market is drawn up, lead managers may have to

adjust their approach to the launch of new issues.

Two key bond markets: the US and (below) Japan

### Sagging under strain

est rates have started to rise. significant recovery from that run up against capacity con-

maturities, when the equity mar-ket has looked vulnerable.

government bonds face a tough time this year. After a brief While the government bond market seems to have returned very quickly to the bad shape it honeymoon last autumn, when terrified investors balled out of was in for most of last year, the equities in the comparative corporate and high-yield sectors Treasuries now seem to have set-tled into the same gloomy down-ward trend which was in place partly because of the wave of acquisitions after the October crash, which has made many US companies look extremely che not only to foreign predators but also to domestic concerns with a

until October last year when the stock market crashed.

As 1988 has progressed, the bond market has sagged under an increasing weight of evidence that the economy is still growing with the still growing that the economy is still growing the still growing pile of cash. Corporate new-issue volume totalled \$8.8bn in March, accordquite rapidly and that demand ing to the Fixed Income research team at First Boston. This com-pares with \$7.2bn in February. The total for the first quarter was \$26.8bn, compared with \$30.2bn remains too strong for comfort given an extremely stubborn trade imbalance and that inflation may be on the rise, with unemployment at historically low during the same period last year, not a particularly large decline.

The wave of mergera and levels and some sectors of manufacturing industry running at, or

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very near, full capacity. The dol- acquisitions and chare-repur- ately after the crash because of lar remains vulnerable and inter- chase programmes provides one increased fears of default. source of demand for new financ-Yields at the long end of the ings. Another is the increased back to pre-crash levels as market are back up to 9 per cent, level of planned capital invest-demand for financing has been their level in early January, and ment, as companies in some secfew traders see any prospect for a tors of manufacturing industry

level in the foreseeable future, straints.
unless another crisis develops in the equity market.

As confidence in continued economic growth returned in the In the last few months, genuearly months of this year, the ine demand only seems to have high-yield or "junk bond" market surfaced in the bond market, and has also shown signs of revival. that concentrated in shorter having taken a pause immedithe conventional corporate mar-

Junk bond yields have fallen boosted by the high level of acquisition activity. There does, however, appear to be some cau-tion about the more risky or marginal junk bonds, and some is on quality.

In the first quarter of this year, totalled \$4.1bm, or 13.8 per cent of

# Regulation

AS THE old saw has it there is a new public offerings. Jepan's corporate bond market Japanese corporate bond market Gass-Steagan clone, Artane 60,

— it'e in Europe. Not surprislegally separates commercial and
ingly, Japanese companies havesinvestment banking. But they
purned the tedious registration have been allowed into the priprocedures and controls on issue volumes and interest rates of volumes and interest rates of They already have underwrit their domestic market for the ing experience through their

now trying to end a paradox agreement, prevents them from whereby companies from the underwriting Japanese compa world'e biggest creditor nation nies' overseas issues. had come to think first of raising

at home. The ministry wants to to the abolition of the three bring the Japanese corporate bureaux agreement, in return for bond market home. The way it is being allowed into the foreign doing so is by stripping away the exchange business, which is now isyers of regulation that have the banks preserve.

This started in 1998 with easier comments want to be in the form.

This started in 1986 with easier

bonds, such as letting a company's annual report be the basis of its prospectus for a new issue, and with the reduction of the time taken to bring a new issue to market from 25 days to 10.

Nonetheless, new Euroyen issues increased last year from issues increased last year from just under Y3 trillion (million million) worth to just over; and Samurai issues (yen borrowings by foreigners in the Japanese market) only increased a tick to just over Y500hn. The liberalisation still has far to go.

This year'e measures, it is hoped, will go all the way. They include allowing companies to make new issues on the basis of a bond rating; allowing floating-rate issues; and, perhaps most significantly, shelf registration.

Shelf registration (the pre-registering of an issue with the euthorities, which can then be put out at the issuer's discretion at any time within a given period) should come this autumn. It is expected to boost greatly the volumes of new issues of straight and convertible bonds (and to boost the underwritera most suited to shelf registration—new issues. boost the underwritera most cate system to an auction one for boost the underwritera most suited to shelf registration — new issues. Syndication guarantees that and have strong distribution power, is the Big Four Japanese securities houses, Nomura, Nikko, Daiwa and Yamaichi).

At the same time, the liberalisation of Israel's financial mark because it rackons that will give

underwriting business. They are still excluded from underwriting

agall clone, Articl

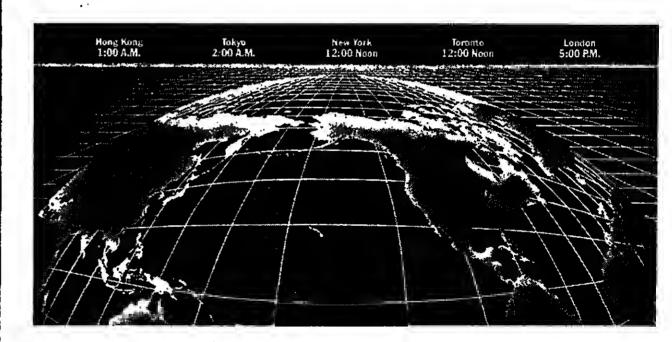
vate placement business freer, faster and cheaper ways of overseas securities subsidiaries However, an internal Ministry of Japan's Ministry of Finance is Finance rule, "the three bureaux

The question is: how long will it be before that expertise can be Euroyen, not yen.

Over the past three years, Japanese firms have raised more door? The answer may be sooned than later. The securities indusanese firms have raised more door? The answer may be sooner capital overseas through hond than later. The securities indus-and stock issues than they have try is understood to have agreed

One reason why the securities companies want to be in the fortion procedures for etraight to underwrite domestic foreignny's annual report be the basis of currency issues for Japanese;

ation of Japan's financial mar-kets is letting the commercial American firms better access to banks desper into the domestic the government-bond market.



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The main bond markets: Germany (left), sterling (right), Australia and France (below) and (overleaf) the US and Japan

THE VOLUME of new Deutsche Mark Eurobond issues in the first months of this year has not been very different from the same period last year, but the names at the bottom of the invitation tel-

exes have changed appreciably. talking points among German has returned. Eurobankers this year. The DM300n

should boost the DM Eurobond business, the effects of greater competition for lead managements looks distinctly uncertain. Talk of unprecedented friction is exaggerated, but rivalry has government paper.

undoubtedly reached new peaks.

Matters have been exacerbated hy the fact that new business has become harder to get. The very high liquidity of leading German companies has made them reluc-tant borrowers. Moreover, many issuers — domestic and foreign alike — felt for some time that interest rates would sink further.

upwards, triggering greater issuing interest. But while issuers are attracted by 10-year paper. investors feel happier with maturities half as long.
"The fantasy" in interest rate

and currency prospects seen last year has certainly gone, notes one executive at a leading Ger-man bank. This year it's just withholding tax which has had

It is now certain that the tax will not apply to Eurobonds issued by foreign entities, be they the foreign borrowing vehicles

IN GERMANY the local version of the British Medical

Journal, Deutsches Medizin-

isches Wochenschrift, carries

advertisements to buy Austra-

Though coupon-conscious doctors and dentists called

Duval, Miller or Schmidt are

still important to a market reared on strong retail buying

from Germany, the Benelux countries and, to a lesser

extent. Switzerland, most par-

ticipants agree 1987 was the year the Australian dollar

Euromoney league table last

year, says that over half of a market now nearly A\$25hn-

strong has been issued in the

Euromarket came of age. Hambros Bank, top of the

lian doller Eurobo

New names on DM issues benchmark German governmen

As a result, many foreign

The greater prominence of names can now issue more some leading foreign houses, and cheaply than the federal government of a new withholding tax on opposed by the Bundesbank and most savings and investments a feature of German finance from 1989, have been the two before coupon tax was removed,

The DM300m issue in mid-April But while withholding tax hould boost the DM Eurobond rinance was a striking example. Though unrated, the deal, effective of greater was a striking example. tively from the state bank of Baden Württemberg, was seen as being of similar quality to federal

However, its 5.88 per cent yield was some 40 basis points below an issue of like maturity for tha Federal Post Office the previous day. With new issuers scrambling to set up foreign borrowing vehicles, German hankars are already joking about when the Bund itself will go offsbore.

Withholding tax has also triggered prompt reactions on the investor side. German banks in Luxembourg in particular have benefited from the expected flight of capital, leading to astonishing growth in a number of new

Eurorenta, the brainchild of Deutsche Bank Luxembourg and DWS Deutsche Gesellschaft für Wertpapieren, the parent bank's

past 18 months.
"It is not yet the belle of the ball but it has definitely lost its Cinderella status," quips Mr Jerry Raybould, of ANZ Merchant Bank, noting that it now exhibits tha three tiers are the statement of the stateme

familiar to any mature mar-

ket: a sound retail investor

base, widespread institutional huying and a liquid profes-

sional market. It is also shedding an early

over-reliance on swaps into

other currencies. There have

been over 50 issues since the turn of the year, at a time when the domestic Australian

past 18 months.



momentum down under

the end-users of Australian

dollars - Australian compa-

nies - can borrow more

cheaply at home, making swaps much less attractive.

This has tilted issuing activity

away from corporate names to banks, still happy to secure US dollar funds at Libor less 20 or

30 basis points, against Libor less 50 or more a year ago. "Unswapped deals are rising

as a proportion of the market,"

says Mr Adrian Bell at Ham-hros Bank, citing wider insti-tutional buying, heavier turn-

the most conspicuous example. The fund attracted no less than issued by foreign entities, be they foreign borrowing vehicles for German groups or for foreign companies themselves.

The markat has already reacted by altering spreads between DM Eurobonds and the most conspicuous example. The fund attracted no less than investors in its first four months alone.

Deutscha Bank — and other banks behind a number of similar ventures — says the timing is between DM Eurobonds and the most conspicuous example. The fund attracted no less than DM1.5bn from investors in its first four months alone.

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Deutscha Bank — and other banks behind a number of similar ventures — says the timing is between DM Eurobonds and the most conspicuous example. Underlying asset swaps — whereby floating rate DM funds had it not been for the tax.

A partly-linked development hat it not been for the tax.

A partly-linked development hat it not been for the tax.

Institutions are fickle huyers. If the biggest of its kind.

Underlying asset swaps — whereby floating rate DM funds has been the arrival of some very large, high-coupon deals for less-than investment-grade sovereign has been the arrival of some very large, high-coupon deals for less-than investment-grade sovereign has been the migration of its domestic placing capacity. In the biggest of its kind.

Underlying asset swaps — whereby floating rate DM funds had it not been for the tax.

A partly-linked development hat it not been for the tax.

A partly-linked sevelopment hat it not been for the tax.

A partly-linked development had it no

dealing size and an influx of new players as underwriters

and market makers as symp-

toms of a more settled order.
A year ago A\$50m was a large issue. Now professionals

worry about liquidity if an issue is less than A\$75m. Typi-

cal trades have doubled from

lots of 250 bonds to 500 or more. And the tendency, famil-

iar in any peripheral market,

for banks to drift in and out as

profitable opportunities dic-tate, has shifted in favour of a

stable group of houses with

either placing power in Europe

greater retail demand for the high coupon, withholding tax-

As to lead managements, "we are now in the third phase," says one experienced observer. After first obtaining the necessary licences and staff, and then settling in, banks like Crédit Suisse First Boston, Swiss Bank Corporation International (SBCI), Morgan Guaranty and Morgan Stan-

stand out. In late February, Schweizerischer Bankverein (Deutschland), SBC's German subsidiary, led a debut DM250m issue for Coca-Cola. Then it followed with a DM50m issue for Wella, tha German hair-care

group.

Despite tight pricing, the Coca-Cola deal turned out to be a great success and one of the best transactions of the year, according to some bankers. However, both deals triggered a significant reac-tion at Deutsche Bank, the leader in the DM Eurobond market with 40-45 per cent of new-issue vol-

The two aggressively-priced issues it led soon after for Philip Morris and Chrysler were widely interpreted as being strategic decisions and important signals

to the competition.

The bank stresses that both deals were profitable, and emphaises in particular the importance

or access to a client base with a natural requirement for Aus-tralian dollars.

Notably, the slack left by the

withdrawal of Orion Royal

Bank was quickly taken up by European and Australasian

hanks including Dentsche

Bank, West Deutsche Landes-

bank, Paribas, Westpac, ANZ and, latterly, National Austra-lia Bank, which recently poached 12 Australian dollar

traders from ANZ broking sub-

The increased liquidity has attracted institutional buyers from the US, the Middle East,

Singapore and Hong Kong, as

well as Europe, where exiled Australian tax-based funds

and German unit trusts have

been especially prominent.

for redemption in 1988, the market should soon develop a

Sceptics, like Mr Ronald Lemke, at Deutsche Bank, are

reserving judgment about the

quality of institutional involvement. But others, while

aware that some institutions are sufficiently flush with cash to risk a flutter on the cur-rency, think most are buying

for sober reasons like higher yields and currency diversifi-cation. Mr John Hibberd, of

Australasian broker Fay Rich-white, says that switching between the Eurobond and

Commonwealth bond markets

momentum of its own.

sidlery McCaughan Dyson.

bank's reaction is digested and other houses decide against trig-gering what may become a bid-

Others are less sanguine, sug-gesting that some foreign banks may now be under pressure to show performance and gain market share. But there is also criticism of Deutsche Bank for its "presupposition" that new business must come its way.

It may just be that Frankfurt is slowly learning to live with the harshly competitive practices ley are now very keenly looking that have long been common-for business.

Two transactions this year that have long been common-place in London. Thus talk of exclusive "house" relationships between one hank and a horrower is seen as increasingly out of date. "Business can only get tougher as the newcomers compete more strongly,", reckons one

> Maanwhile, the Japanese threat, predicted by some after Japanese houses had gained the right to lead manage deals last October, has not materialised. Industrial Bank of Japan, Nomura and Bank of Tokyo all launched deals. But with investors wary of equity linked paper, and the appeal of straight DM bonds limited for Japanese bor-

The question now is whether Japanese houses try to lead bonds from established Japanese horrowers which bave hitherto used German banks.

Among other newcomers to the market, both J P Morgan and Dnsseldorf based Trinkaus & Burkhardt are honourably mentioned. Though the Trinkaus issues have tended to be small. many bankers compliment it on quickly finding a niche for innovative transactions.

If Australian dollars have shed their Mickey Monse image, Kiwi dollars are still firmly marooned in Disneyland, exclusively dependent on retail demand and swap opportunities. Because most New Zealand corporations are unknown in Europe, the market has found only two reliable sources of swaps - Develop-ment Finance Corporation and Bank of New Zealand.

Conpled with an inverse yield curve, this has allowed only three new issues in 1988, all led by Hambros. Through-out last year there were only 21, worth a paltry NZ\$1.17bn, against 165, worth A\$10.81bn, in the Australian dollar market. Hopes of large and liquid issues from the World Bank and British Gas did not materialise, and outstanding issues

Only two banks - Hambros and Kredietbank - make prices in Kiwi dollar issues. and usually only to each other "Nobody wants to go short of New Zealand dollars," says Mr John Mathleson of National Australia Bank, pointing out that the Euromarket lacks a healthy domestic backdrop. Only three New Zealand Gov-ernment bond issues are actively traded and at one stage during the crash the entire domestic market went

reflects their genuine need for Australian dollar assets.

retail accounts, available only at hefty premiums to par.

Unlike Australian dollars.

## Eurosterling euphoria

FOREIGN INVESTORS have discovered a new enthusiasm for through.

Sterling securities in the last 18 months, and the Eurosterling of bonds has been a string of market in particular has ground languaged deals for IV security. market in particular has grown long-dated deals for UK compain size and importance.

lished Eurosterling as a "high market for bonds with maturities profile" sector of the Eurobond of 20 years and above - dormant volume of \$143bn (equivalant)
last year nearly doubled to 10 per
cent as it emerged as the third

Before 1986, the issue of a

Eurosterling bond with so long a

maturity was thought inconceivworld. Its share of a total issuing

busiest sector.

This year, in net terms, issuing volume has already climbed to around 25bn, and a new underpinning to the market has appeared in the form of the expected shortage of gilts.

able. Foreign buyers were constituted buyers were constituted to wary of the currency ered too ward ered too ward ered too ward ered too ward ere

expected shortage of gilts.

The projected repayment in tha
UK's public sector deht requirement means that new demand for fixed-rate investment in sterling will have to be satisfied by borrowers other than the government. Assuming negligible foreign exchange intervention, ket, they could find issues that Greenwell Montagu estimates net were placed more tidily, and on redemptions of gilts should amount to as much as £5hn.

As for the placed more tidily, and on which they could to some extent dictate the terms.

As far as the Eurosterling market is concerned, the most important aspect of this change in the supply-and-demand situation is that it should encourage domestic institutional buyers, who have closely at the Eurosterling marting that it should encourage domestic institutional buyers, who have closely at the Eurosterling marting that are been more closely at the Eurosterling marting that are been more than the compelled to look more closely at the Eurosterling marting that are been more closely at the Eurosterling marting that are been more closely at the Eurosterling marting that are been more closely at the Eurosterling marting that are been more closely at the Eurosterling marting that are been more closely at the Eurosterling marting that are been more closely at the Eurosterling marting that are been more closely at the Eurosterling marting that are been more closely at the Eurosterling marting that are the compelled to look more closely at the Eurosterling marting that are the compelled to look more closely at the Eurosterling marting that are the compelled to look more closely at the Eurosterling marting that are the compelled to look more closely at the Eurosterling marting that are the compelled to look more closely at the Eurosterling marting that are the compelled to look more closely at the Eurosterling marting that are the compelled to look more closely at the Eurosterling marting that are the compelled to look more closely at the Eurosterling marting that are the compelled to look more closely at the Eurosterling marting that are the compelled to look more closely at the Eurosterling marting that are the compelled to look more closely at the Eurosterling marting that are the compelled to look more closely at the Eurosterling marting that are the compelled to look more closely at the Eurosterling marting that are the compelled to look more closely at the Eurosterling marting that the compelled to look more closely at the Eurosterling marting the compelled to look more closely at the compelled to look more closely at the Eurosterl

However, the interest rate and currency background has become increasingly clouded since the government's decision in early March to "uncap" sterling. What encouraged international investors to look closely at the Eurosterling market in early 1987 was the perception that the currency had stabilised at an undervalued

level against the Deutsche Mark. Since March, the attractions of sterling's high yields have been eroded by higher US interest rates. Longer-term US Treasury bread-and-hutter of the Eurosterl-and glit yields have been con-verging to the point where 10-ment in their flow of funds from

the surprise of participants, for-eigners' enthusiesm for the sector appears to have been undimmed as the currency has climbed to DM3.10 and beyond - they judge that sterling has still farther to go, ruling out the possibility of interest rate rises.

have been encouraged to take advantage of this buying interest as they have taken the view that swap market. sterling must weaken over time with interest rates rising and UK

nies such as Pearson, the indus-In early 1987, the euphoria in trial conglomerate, and British the run-up to the re-election of Airways; and sovereigns, such as the Thatcher government estab Finland. With these issues, the for some time - has reopened. maturity was thought inconceive able. Foreign buyers were consider

> There was hope that the UK pension funds and life insurance companies would buy them, despite their requirement for long-term assets, because they looked askance at the Eurosteriing market on the grounds it was

However, all that was changed traditionally been suspicious of ket, as both UK companies and investing in Eurosterling, to com-mit more funds to it. overseas borrowers have come to prefer it on the grounds that it is more flexible and cheaper.

But although UK companies and overseas entities have participated in the upsurge of issuance in the Eurosterling market this year, they have still been relatively unimportant compared with the volume of paper that has emerged from the UK building societies.

Since first being granted access to the market by their regulatory body in 1985, the societies have virtually hecome virtually the bread-and-hutter of the Eurosterlyear gilts are now offering a mea- retail sources since October's in theory, then, international which came into effect early this investors should be losing interest in the market. However, the control of the came into effect early this investors should be losing interest in the market. However, allowing them to participate in new activities in comments of the came in 
that their appetite for Eurobond

market financing has continued

They have at least spread their Eurobonds between the dollar. Swiss franc and sterling sectors. But investors have still become palpably tired as "yet another" issue for one building society or

the Euromarket fared poorly in the crash. A BHF issue dropped to a 15-point discount at one point, and many of the hardest hit issues are now finding a home only back in New Zealand.

Both markets are now trading on expectations about their respective domestic economies. Bankers expect a thriving Australian dollar market

this year - so long as world-wide interest rates fall sufficiently far to keep conpons looking healthy to European investors and Australian wage and price inflation are not hlown off course by the Australian Council of Trade Unions, a precipitate fall in commodity prices or a US

Dominic Hobson

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## The dominance of the state

corporate borrowers towards shorter term monetary instruments.

bond issues, while floating rate bonds, indexed on a bewildering variety of references, climbed to FFr6.458bn, compared with FFr63.9bn in 1987 from FFr21.8bn to these floating in 1986. The shift to these floating today is closer to FFr8bn a day.

The Franch Treasury has since bonds as the real bands rate bonds, already noticeable in the early half of last year, was accelerated by the October stock than the french Treasury has since 1985 undertaken a complete overaccelerated by the October stock than the french Treasury has since 1985 undertaken a complete overaccelerated by the October stock than the french Treasury has since 1985 undertaken a complete overaccelerated by the October stock than the french Treasury has since 1985 undertaken a complete overaccelerated by the October stock than the french Treasury has since 1985 undertaken a complete overaccelerated by the October stock than the french Treasury has since 1985 undertaken a complete overaccelerated by the October stock than the french Treasury has since 1985 undertaken a complete overaccelerated by the October stock than the french Treasury has since 1985 undertaken a complete overaccelerated by the October stock than the french Treasury has since 1985 undertaken a complete overaccelerated by the October stock than the french Treasury has since 1985 undertaken a complete overaccelerated by the October stock than the french Treasury has since 1985 undertaken a complete overaccelerated by the October stock than the french Treasury has since 1985 undertaken a complete overaccelerated by the October stock than the french Treasury has since 1985 undertaken a complete overaccelerated by the October stock than the french Treasury has a complete overaccelerated by the October stock than the french Treasury has a complete overaccelerated by the October stock than the french Treasury has a complete overaccelerated by the October stock than the french Treasury has a complete overaccelerated by the October stock than the french Treasury has a complete overaccelerated by the October stock than the french Treasury has a complete overaccelerated by the October stock than the french Treasury has a complete overaccelerated by the October stock than the french Treasury has a complete overaccelerated by the October stock than the french Treasury has a complete ove market crash, which drove pri- agement techniques, and has con- doubts about whether the develvate and corporate investors to structed, practically from opment of the state bond sector

Overall funds invasted in short-term Sicavs rose from major countries.

FFr312.6bn at the end of 1986 to FFr441.4bn at the end of 1987, and to FFr526.7bn at the end of April.

Tional investors will find in other segments of bank network — such as the Crédit Foncier, which last Octoparalleled in other segments of the FFr526.7bn at the end of April.

corporate borrowers towards convertible bonds, from compasshorter term monetary instruments.

This decline in gross issues the premature retirement of government debt, mostly through the market as a whole has clear settlement systems.

The leading French bonds —
T

seek more reliable investments. scratch, a system of primary
The surge in subscriptions to dealers, monthly anctions and

In the money market fund cate has been a substantial increase gory, defined as including at least in the level of foreign interest in government bonds. The 13 pri-

tural change has continued to be rapid as the market completes its evolution away from the rigid, syndicated procedures of four years ago into a fluid market dominated by a single issuer, the government.

Total bond issues fell in 1967 cated issues placed directly with the public, even achieving finer reflecting partly the rise in new equity issues — up 14 per cent to FFr156.9bn — and partly also a shift by both the government and corporate borrowers towards are done of 1986 to FFr294.7bn at the end of 1987, and to FFr294.6bn at the end of April.

The early months of 1988 have also seen a return to the market for some long-term, fixed rate borrowers. Some successful syndicated insulations have a some long-term, fixed rate borrowers. Some successful syndicated insulations have also seen a return to the market completes its end of 1987, and to FFr294.6bn at the end of April.

Basides European huyers, emerged over the last year as heavy purchasars. Some MiddleEast and Far East central banks also buy French government that the end of April.

Basides European huyers, emerged over the last year as heavy purchasars. Some MiddleEast and Far East central banks also buy French government bonds at the average price of the monthly auction through the same non-competitive bidding process as the primary dealers.

The laceting French for the shorter term Treasury notes.

Basides European huyers, emerged over the last year as heavy purchasars. Some MiddleEast and Far East central banks also buy French government.

There has been a new flurry of convertible bonds. from companions of the monthly auction through the same non-competitive bidding process as the primary dealers.

This decline in gross issues was further accentuated by the premature retirement of government debt, mostly through the state Caisse d'Amortissement de la Dette Publique, using FFr50bn of tha proceeds of the government's privatisations.

This decline in gross issues have been more lissuing equity difficulty of issuing equity difficulty of issuing equity international Cedel and Eurocean battle the more difficulty of issuing equity international Cedel and Eurocean by the state, which now accounts for a third of new issues and two-thirds of turnover in the sections.

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daily volume in government about the functioning of the bonds as the real benchmarks for the French market.

Some financiers have raised has not damaged other bond mar-ket issuers. Non-state borrowers short term unit trusts, or Sicays, tapstock issues which bears a have found that, in order to short term unit trusts, or Sicays, tapstock issues which bears a especially money market funds, close resemblance to the govern-has continued into this year. Overall funds invasted in the constant of the co

LAST YEAR'S highly volatile etary instruments such as repurinterest conditions would have chase agreements, Treasury bills, been enough on their own to shake the French bond market. cates of deposit, funds invested On top of that, the pace of structural change has continued to be end of 1986 to FFr294.7bn at the transition of 1987 and to FFr288.6bn at the shorter term of the shorter the market was not returning to "pre-Leca" days, before the Leca report of 1968 led to the end of the old syndication structure where banks were paid a higher commission for placing bonds with individuals than with insti-

> The result then was that they always declared any unsold bonds as placed with individuals, and then sold them into the secondary market as soon as dealings opened. This led to new issues trading at an almost automatic discount to their sale price. The Treasury and the banks have now come to an agreement on a self-disciplinary code aimed

at preventing "controlled" issues from accounting for more than a quarter of an issuer's annual borrowings or from exceeding FFrion at a time. The new code may, curiously,

increase the number of controlled issues. Credit Local, the statecontrolled institution which specialises in local authority finance and is the principal borrower in the domestic market after the Government, with issues of around FFr25bn a year, had pre-viously eschewed controlled issues, but plans to use them now that the rules have been clarified.

The problem has underlined the fact that the evolution of the French bond market is not yet complete. But although uncertainties remain over the degree to which the market will shift in the direction of shorter term monetary instruments, and over the possibilities of securitising bank debt, the structures have already come a long way in the

George Graham